The City of New York
Office of the Comptroller
Bureau of Financial Audit

WILLIAM C. THOMPSON, JR.
Comptroller

Analysis of the Financial and Operating Practices of Union-Administered Benefit Funds Whose Fiscal Years Ended in Calendar Year 2000

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William C. Thompson, Jr.
Comptroller

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Audits Accountancy, and Contracts
Greg Brooks

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Roger D. Liwer

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EXECUTIVE SUMMARY

Background

New York City contributed approximately $785.8 million to the 104 union-administered annuity and active/retiree welfare funds included in this survey whose fiscal years ended at any time during calendar year 2000. The benefit funds were established under the provisions of collective bargaining agreements and declarations of trust between the unions and the City of New York. Benefit funds provide a variety of supplemental health benefits not provided under City-administered health insurance plans, including dental care, optical care, and prescription drugs to City employees, retirees, and dependents. Other benefits are provided at the discretion of the individual funds. Annual contributions to the welfare funds ranged from $785 to $1,928 per employee during 2000.

Although the funds are subject to audit by the City Comptroller, relatively few City guidelines govern the administration of these funds. Accountability for fund expenditures is a contractual requirement: the funds must be audited annually by a certified public accountant (retained by the funds); they must submit an annual statement showing their "condition and affairs"[1] in the form prescribed by the City Comptroller; and they must provide an annual report to each employee covered by the fund.

In November 1977, the Comptroller's Office published the first Internal Control and Accountability Directive #12, which contained uniform reporting and auditing requirements for benefit funds. In 1997, Directive #12 was revised to include provisions that modified the funds' reporting requirements, expanded the assessments to be made of consultants' services, modified the criteria for contracting services through competitive bids, and expanded the requirements for hiring independent certified public accountants to audit the funds.

These reporting requirements provide a basis for our comparative analyses of fund operations to

[1]The main component of "condition and affairs" is the fund's financial statements, which are audited and certified by an independent CPA firm. Most of the other documents (i.e., Administrative and Benefit Expense Schedules) include various breakdowns derived from the financial statements.

identify deviations from the norm. To perform those analyses, we compute certain expense and benefit category averages that are can be used to compare funds of similar size; our results can then be used by fund trustees and administrators to perform their own internal analyses.

This is the Comptroller's 21st annual report related to the data received in response to Directive #12. The analysis is based on the financial activities of 104 benefit funds receiving contributions from the City during calendar year 2000.[2] Annual reports from these funds are usually delayed at least one year because, according to Directive #12, the funds have up to nine months after the close of their fiscal years (some of which end on December 31st) to submit the required data.

For comparison purposes, we divided the 104 benefit funds (education, legal service, and disability funds were combined with their respective welfare funds) into three categories: self-insured active and retiree-welfare funds, insured-active and retiree-welfare funds, and annuity funds.[3] Included within the 104 funds are 12 funds that receive a substantial portion of their revenues from sources other than the City, one College Scholarship Fund that does not provide benefits to union members or their dependents, and two annuity funds that incurred a substantial loss on their investments that offset their total revenue, putting their revenue in the "negative". While these two funds still incurred administrative costs, their ratios of costs to revenue could not be calculated.

For the reasons stated above, these 15 funds were not included in either the computation of category averages or in the financial analyses since they would have distorted the averages. (These funds are listed separately in Exhibit B at the end of this report.) Accordingly, we computed category averages for only the remaining 89 funds.

As of the end of their 2000 Fiscal Years, the welfare funds' net assets available for plan benefits totaled $609.4 million, and the annuity funds had a net fund balance of more than $1.1 billion.

In 2000, eight funds received less than $100,000 in City contributions; 26 funds received from $100,000 to $1 million; and another 55 funds received more than $1 million. The following 12 funds, listed on the next page, are the largest ones, accounting for 77.5 percent of total City contributions to benefit funds in 2000:

[2] Local 1183-Board of Elections Active and Retiree Funds and Local 300 Civil Service Forum Active and Retiree Funds were excluded from this survey because these four funds failed to submit their Directive #12 filings.

[3] A fund is classified as "insured" if at least 80 percent of the total fund benefits were provided by insurance companies rather than directly by the fund.

Funds Receiving More Than $10 Million* in City Contributions in 2000

Fund Name	Total Revenue	NYC Contributions**
District Council 37 Welfare Fund	$193,504,770	$186,825,036
Local 2 United Federation of Teachers Welfare Fund	186,396,277	177,565,940
Patrolmen's Benevolent Association Welfare Fund	33,406,236	29,854,139
Local 237 Teamster's Welfare Fund	30,640,224	26,931,517
Patrolmen's Benevolent Association Retirees Welfare Fund	21,059,323	21,018,496
PSC CUNY Welfare and Retiree Welfare Fund	21,420,199	20,413,089
Patrolmen's Benevolent Association Annuity Fund	28,559,840	13,498,996
Local 371 Social Service Employees Welfare Fund	19,835,509	19,758,740
Local 94 Uniformed Firefighter's Associations Welfare Fund	11,854,322	10,770,801
Local 1180 CWA Municipal Management Welfare Fund	13,039,641	10,177,662
Corrections Officer's Benevolent Association Welfare Fund	12,907,990	12,899,292
District Council 37 Annuity Fund	36,502,755	35,066,619
Total	$609,127,086	$564,780,327

*****This cutoff figure is arbitrary and used for descriptive purposes only. A cutoff of $9 million would add another six funds to the list.

******The difference between Total Revenue and New York City contributions consists of revenue from interest, dividends, other employer contributions, investments, and miscellaneous income.

Objective of Analysis

Our objective was to provide comparative data on the overall financial activities of the 89 union-administered active and retiree welfare, education, and annuity funds to which the City contributed approximately $763.9 million during Fiscal Year 2000. (Most of the funds' fiscal years ended in either June or September 2000.)

Observations

As in previous reviews of the financial data submitted by the funds for the past 21 years, there were variations in the amounts spent for administrative purposes although, in certain instances, there was a clear indication that these expenses were reduced. Some of the funds cited in our 1999 report for spending higher-than-average amounts on administration remain in that same category in 2000. As before, several funds expended lower-than-average amounts for benefits and maintained high reserves. There also continued to be various areas of non-compliance with Directive #12 requirements and fund agreements.

Since the administrative expense ratios of several funds remain higher than the average, we make the following suggestions for cost reduction: (1) consolidation of administrative functions, and/or (2) placing a ceiling on the amount of City contributions spent for administrative purposes. In fact, Comptroller's Directive #12 includes a provision requiring that each fund compute and submit annually the percentage of administrative costs to total revenue. This percentage is expected to be reasonable and comparable, overall, for funds of similar size.

This report's exhibits can be a starting point for fund trustees and administrators to identify areas for cost reduction or other potential problems. No single exhibit should be viewed on its own, and no conclusions should be derived from any single exhibit without first referring to others. For example, even though an exhibit might show that a particular fund's benefit expenses exceeded its revenues, this might not indicate a problem if the fund has sufficient or high reserves. On the other hand, funds incurring high administrative costs relative to other funds of a similar size should review their costs carefully and reduce them whenever possible.

Administrative Expenses

In 2000, $63.20 million (7.37 percent) of the total revenue of the funds was spent on administration, as compared to $62.66 million (7.22 percent) spent on administration in 1999.[4] The percentage of total revenue spent on administration varied among funds, reflecting the broad discretion exercised by each fund's Board of Trustees. The chart on the next page illustrates the range in the portion of revenue expended on administration by revenue category within each major fund type.

[4] Total revenue includes City contributions, contributions from other employers, interest and dividends, investments, and other miscellaneous revenue.

Average Amount and Percentage of Total Revenue
Spent by 89 Funds on Administration

City Revenue	Insured Active and Retiree Welfare Funds			Self-Insured Active and Retiree Welfare Funds			Annuity Funds[C]		
	Number[A]	Amount	Percent	Number	Amount	Percent	Number	Amount	Percent
Less than $100,000	(4)	$7,024	10.99%	(3)	$42,700	10.53%	(1)	$0[B]	0%
$100,000 to $300,000	(3)	27,224	12.57	(6)	30,535	15.16	(1)	51,405	12.04
$300,000 to $1 million	(3)	66,727	11.65	(12)	77,940	11.46	(1)	183,148	122.22
$1 million to $3 million	(0)	N/A	N/A	(17)	200,238	9.59	(2)	78,377	2.87
$3 million to $10 million	(0)	N/A	N/A	(15)	596,022	7.46	(9)	454,849	5.52
$10 million to $20 million	(0)	N/A	N/A	(4)	1,187,492	8.24	(1)	939,239	3.29
More than $20 million	(1)	967,632	4.52	(5)	7,563,081	8.13	(1)	342,291	0.94
Overall Average 2000	(11)	$116,144	5.31%	(62)	$905,775	8.16%	(16)	$360,405	3.97%
Overall Average 1999	(11)	$121,707	6.38%	(65)	$860,489	8.72%	(19)	$283,807	2.63%

[A] Figures in parentheses represent the number of funds in each category.
[B] This Fund did not use City contributions to administer the fund; administrative costs were paid for by the Union.
[C] As stated earlier in the report, two funds were omitted from all administrative cost-to-revenue ratio analyses. This year these two funds incurred a substantial loss on their investments that offset their total revenue, putting the revenue in the "negative". While these funds still incurred administrative costs, their ratio of administrative cost-to-revenue could not be calculated. The two funds and their respective net revenues and administrative costs are: Local 333 United Marine Division Annuity Fund (-$5,386, +$42,884), and the Local 94 Uniformed Firefighters Association Annuity Fund (-$3,100,296, +$196,882).

N/A = not applicable

Some funds, as shown in the following chart, were able to reduce the percentage of their revenues spent on administration. There may be several reasons why administrative costs decrease significantly from one year to the next. For example, funds may contract with less costly providers (e.g., accountants, attorneys, and consultants), or trustees may change the basis of expense allocations between the union and the fund.

Funds with Lower Percentages of Revenue Spent on Administrative Expenses

Fund Name	Administrative Expense Percentages 1999	Administrative Expense Percentages 2000	Percentage Decrease
NYC Municipal Steamfitters & Steamfitter Helper WF	8.27%	3.34%	(59.61%)
NYC Municipal Steamfitters & Steamfitter Helpers RWF	9.87	4.14	(58.05)
New York City Retiree WF	5.29	2.35	(55.58)
NYC Municipal Plumbers & Pipefitters WF	11.38	5.41	(52.46)
District Council 9 Painting Industry WF/RWF	14.19	6.88	(51.52)
Fire Alarm Dispatchers Benevolent Association WF	29.11	14.44	(50.40)
Local 806 Structural Steel Painters RWF	1.72	0.97	(43.60)
House Staff Comm of Interns & Residents WF/Legal	21.85	13.14	(39.86)
United Probation Officers Association WF	19.11	12.92	(32.39)

Other funds, as shown in the chart below, have increased the percentage of their revenues spent on administration.

Funds with High Percentage Increase of Revenue Spent on Administration

Fund Name	Administrative Expense Percentages 1999	Administrative Expense Percentages 2000	Percentage Increase
Correction Captains Association Annuity Fund	4.00%	122.22%*	2,955.56%
Local Lodge 5 Mcpl. Blacksmiths & Boilermakers WF/RWF	9.54%	96.00%*	906.29%
Local 806 Structural Steel Painter WF**	1.39	7.03	405.76
NYC Deputy Sheriffs Association RWF	4.29	17.44	306.53
NYC Deputy Sheriffs Association WF**	1.53	2.92	90.85
Local 14A – 14B IUOE WF/RWF	8.47	15.94	88.19
Local 832 Teamsters WF	13.39	17.81	33.01
Local 306 Municipal Employee WF	18.47	29.18	57.99
Correction Officers Benevolent Association RWF	6.06	9.25	52.64
Local 333 United Marine Division RWF**	13.59	20.00	47.17
Local 832 Teamsters RWF	14.93	19.99	33.89
Assistant Deputy Wardens Association WF/RWF	7.83	10.27	31.16
Local 211 Allied Building Inspectors WF	8.92	11.60	30.04

*These funds incurred substantial losses on their investments during Fiscal Year 2000 that were offset against City contributions in our computation of total revenue. Consequently, the percent of administrative expenses to total revenue was significantly higher than in past years. If these funds had not incurred such losses, the Correction Captains percentage of administrative expenses to total revenue would have been 29 percent, and Local Lodge 5 percentage of administrative expenses to total revenue would have been 24 percent.
**These funds also incurred a high percentage increase of revenue spent on administration in 1999.

Without a full audit of each individual fund, it is not possible to determine how the funds listed in the two previous charts reduced or increased their administrative expense ratios.

The next charts list selected insured and self-insured active and retiree welfare funds operating with significantly higher percentages of revenue spent on administration than their respective category averages for 2000.

Insured Active and Retiree Welfare Funds with High Administrative Expense-to-Revenue Ratios

Fund Name	Category Average	Fund	Percentage Deviation From Category Average
Less than $100,000			
NYC Deputy Sheriffs Association RWF*	10.99	17.44%	58.69%
$100,000 to $300,000			
Local 333 United Marie Division RWF*	12.57	20.00%	59.11%

RWF = Retiree Welfare Fund
* These funds also incurred higher-than-average administrative costs in 1999.

Self-Insured Active and Retiree Welfare Funds with High Administrative Expense-to-Revenue Ratios

Fund Name	Category Average	Fund	Percentage Deviation From Category Average
Under $100,000			
Local 306 Municipal Employees WF*	10.53%	29.18%	177.11%
$100,000 to $300,000			
Local Lodge 5 Mcpl. Blacksmiths & Boilermakers WF/RWF	15.16	96.00	533.25
$300,000 to $1 million			
Local 858 IBT(OTB) Branch Office Managers WF	11.46	18.78	63.87
Doctors Council RWF*	11.46	21.40	86.74
Local 832 Teamsters WF	11.46	17.81	55.41
United Probation Officers Association RWF	11.46	18.55	61.87
$1 million to $3 million			
Doctors Council WF*	9.59	15.24	58.92
$3 million to $10 million			
Local 237 Teamster's RWF*	7.46	11.24	50.67
Local 831 Uniformed Sanitationmen's Association WF	7.46	12.13	62.60

WF = Welfare Fund

*****These funds also incurred higher-than-average administrative costs in 1999.

Of the $63.20 million spent by the funds on administration, the largest single component—salaries for administrative and clerical staff—totaled $24.4 million. Other major costs included $3.6

million for rent, $11.1 million for office expenses, $532,000 for insurance retention charges, $4.4 million for investment and custodial services, $13.1 million for consultant services, and $3.3 million for legal, accounting and auditing services.

Consolidation of Professional Services

Most funds receiving City contributions enter into contracts with various professional providers for services such as accounting/auditing and legal counsel services. Many funds use the same professional service provider for similar services. One CPA firm for example, provides accounting services for 12 different unions representing 29 separate funds. Appendix D at the end of this report lists the funds using the same provider for similar professional services.

Trustees of funds using the same professionals for similar services may reduce their funds' administrative expenses by negotiating future contracts jointly.

Benefit Expenses

The City has not established guidelines for the percentage of annual revenue that should be spent on benefits. Therefore, we calculated category averages for the funds listed on the following chart. Wherever funds insured some or all of their benefits, we reduced the total premiums by the retention charges (overhead costs involved in doing business, i.e., costs associated with processing claims) to calculate net benefit expenses.

Percentage of Total Revenue Spent on Benefits, by Fund Category

Total Revenue	Insured Active and Retiree Welfare Funds	Self-Insured Active and Retiree Welfare Funds
Less than $100,000	57.31%	85.14%
$100,000 - $300,000	66.81	89.34
$300,000 - $1 million	53.86	81.10
$1 million - $3 million	-	79.79
$3 million - $10 million	-	82.90
$10 million - $20 million	-	86.51
More than $20 million	98.35	93.97
Overall Average (Not Weighted)	93.88%	90.51%

Some funds spent more than their category average for benefits; others spent less. As the following chart indicates, there is a wide variation in the percentage of total revenue expended on benefits for similar-sized funds. However, when a fund's expenses exceed the category average, this does not necessarily represent a problem. For example, the Local Lodge 5 Municipal Blacksmiths & Boilermakers WF/RWF exceeded the category average, but still had sufficient reserves to ensure its continued financial viability.

Self-Insured and Insured Active and Retiree Welfare Funds with High Benefit-to-Revenue Ratios

	Benefits as a Percentage of Total Revenue		
Fund Name	Category Average	Fund	Percentage Deviation From Category Average
Local Lodge 5 Mcpl. Blacksmiths & Boilermakers WF/RWF	89.34%	518.62%	480.50%
NYC Deputy Sheriff's Association RWF*	57.31	125.13	118.34
Local 333 United Marine Division WF*	53.86	92.98	72.63
Local 306 Municipal Employees WF*	85.14	142.38	67.23
Local 444 Sanitation Officers WF*	79.79	106.96	34.05
Local 832 Teamsters RWF	89.34	117.33	31.33
Local 94 Uniformed Firefighters Association RWF	82.90	107.66	29.87
Sergeants Benevolent Association WF/ RWF*	82.90	103.70	25.09

* These funds also spent more than the category average in 1999.

In contrast, several funds spent less than the category averages for benefits, as shown below.

Self-Insured and Insured Active and Retiree Welfare Funds with Low Benefit-to-Revenue Ratios

	Benefits as a Percentage of Total Revenue		
Fund Name	Category Average	Fund	Percentage Deviation From Category Average
NYC Municipal Steamfitters & Steamfitter Helper RWF	89.34%	31.55%	(64.69%)
NYC Municipal Steamfitters & Steamfitter Helper WF	81.10	30.78	(62.05)
NYC Municipal Plumbers & Pipefitters WF	79.79	42.18	(47.14)
Local 15 A-C Operating Engineers Municipal Employees WF & RWF*	53.86	32.72	(39.25)
Local 1180 CWA Municipal Management RWF*	82.90	54.96	(33.70)
Local 1 Council of Supervisors & Administrators WF	82.90	55.31	(33.28)
Local 858 IBT (OTB) Branch Officer Managers WF	81.10	55.70	(31.32)
Local 3 IBEW Electricians WF	79.79	54.88	(31.22)
Local 806 Structural Steel Painter RWF	57.31	58.63	2.30

* These funds also spent less than the category average in 1999.

The benefit expenses for the seven funds listed in the chart below exceeded total revenues, causing the funds to dip into their reserves. The use of reserves to provide benefits may indicate that the benefits provided were not evaluated in relation to the resources available to the funds.

Self-Insured and Insured Active and Retiree Welfare Funds with Benefit Expenses That Exceeded Their Revenue

Fund Name	Total Revenue	Benefit Expenses	Percentage of Revenue Spent on Benefits	1999-2000 Percentage Decrease in Reserve	Ending Fund Balance 2000
Less than $100,000					
Local 306 Municipal Employee WF*	$71,042	$101,151	142.38%	21.79%	$181,109
NYC Deputy Sheriff's Assoc. RWF*	31,887	39,899	125.13	9.63	127,327
$100,000 to $300,000					
Local 832 Teamsters RWF	166,608	195,475	117.33	58.23	44,596
Local Lodge 5 Mcpl. Blacksmiths & Boilermakers WF/RWF*	33,304	173,239	518.62	27.63	450,244
$1 million to $3 million					
Local 444 Sanitation Officers WF	1,427,516	1,526,851	106.96	20.25	838,732
$3 million to $10 million					
Local 94 Uniformed Firefighters Association RWF	10,619,222	11,432,215	107.66	16.68	7,039,520
Sergeants Benevolent Association (Police) WF/RWF	10,066,500	10,438,539	103.70	39.27	689,960

*These funds also had high reserves (fund balances) in relation to annual revenue, so the benefit spending in excess of revenue is not a major concern.

Fund trustees should examine the relationship between benefit expenditures and revenues. Funds that underspend on benefits may provide insufficient benefits for their members, or may overspend on administrative expenses or build unnecessary reserves. Funds that overspend on benefits may deplete necessary reserves. Funds should achieve a proper balance between total revenue and amounts spent on benefits.

Reserve Levels

Reserves held by funds provide a cushion if claims for benefits exceed revenues in any given year. In the past, the Comptroller's Office has used general guidelines of 100 percent of revenue for insured funds and 200 percent of revenue for self-insured funds as reasonable levels for welfare fund reserves. Using these criteria, the following charts list 10 insured welfare and retiree welfare funds whose reserves were in excess of 100 percent of revenue, and 12 self-insured active and retiree funds whose reserves exceeded 200 percent of total revenue. High reserves are an indication of a fund's financial viability, but may also indicate that a fund is not providing as many benefits to its members as it could.

Insured Active and Retiree Welfare Funds
Reserves in Excess of 100 Percent of Revenue

Fund Name	Funds' Reserves	Percentage of Reserves to Total Revenue
Local 15 A-C Operating Engineers WF/RWF*	$3,392,617	423.62%
NYC Deputy Sheriff's Association RWF*	127,327	399.31
Local 14 – 14B IUOE WF*	420,374	392.96
Local 806 Structural Steel Painters RWF*	161,901	360.25
Local 806 Structural Steel Painters WF*	242,538	337.52
Local 1181 CWA Supervisory Employees RWF*	431,332	219.31
Local 333 United Marine Division WF	511,599	127.27
Local 333 United Marine Division RWF*	445,173	162.46
NYC Deputy Sheriffs Association WF*	215,236	120.10
Local 1181 CWA Supervisory Employees WF	542,532	105.20

*Also identified in 1999 Survey of Benefit Funds Report as having reserves in excess of 100 percent of total revenue.

Self-Insured Active and Retiree Welfare Funds
Reserves in Excess of 200 Percent of Revenue

Fund Name	Fund Reserves	Percentage of Reserves to Total Revenue
Local Lodge 5 Mcpl. Blacksmiths & Boilermakers WF & RWF*	$450,244	1347.87%
Local 1180 CWA Municipal Management RWF*	30,832,104	325.16
District Council 9 Painting Industry WF/RWF	2,840,258	291.22
District Council 1 MEBA Beneficial Fund Trust WF*	415,048	278.03
Local 3 IBEW City Employees Welfare Fund*	800,427	263.13
Local 306 Municipal Employees WF*	181,109	254.93
Doctors Council RWF*	1,351,821	240.77
Doctors Council WF*	3,421,416	240.60
Surrogates & Supreme Court Reporters Association RWF*	370,308	231.09
NYC Municipal Steamfitter & Steamfitter Helpers RWF*	526,699	218.77
NYS Court Clerks Association RWF*	2,136,065	216.81
Local 721 Licensed Practical Nurses WF*	3,825,708	208.23

*Also identified in the 1999 Survey of Benefit Funds Report as having reserves in excess of 200 percent total revenue.

In 2000, 30 of 73 active and retiree welfare funds in our analysis incurred operating deficits totaling $25.8 million. The deficits ranged from $3,816 to $15,291,662.

The chart on the next page lists nine funds whose 2000 operating deficits accounted for nearly 98 percent of the total deficit incurred by the 20 funds.

Funds with Significant Operating Deficits

Fund Name	2000 Operating Deficit	2000 Funds' Reserves*	Percentage of Reserves to Total Revenue	Percentage Decrease in Reserves
District Council 37 WF	$15,291,662	$140,799,988	72.76%	(9.80%)
Local 2 United Federation of Teachers WF	3,602,357	130,073,660	69.78	(4.01)
Patrolmen's Benevolent Association RWF**	1,558,222	(298,652)	(1.42)	(123.71)
Local 371 Social Service Employees WF	1,488,628	2,742,584	13.83	***
Local 94 Uniformed Firefighters Association RWF	1,409,697	7,039,520	66.29	(16.68)
Sergeants Benevolent Association WF/RWF**	1,056,975	689,960	6.85	(39.27)
Professional Staff Congress CUNY WF/RWF	615,181	15,404,822	71.92	(3.84)
Local 444 Sanitation Officers Association WF	213,007	838,732	58.75	(20.25)
Local Lodge 5 Mcpl. Blacksmiths & Boilermakers WF/RWF**	171,904	450,244	1347.87	(27.63)
Total	$25,407,633	$297,740,858		(7.51%)

*After the 2000 operating deficit.
**These funds' operating deficits represent a significant (greater than 25%) portion of the funds' reserves.
***This fund's financial statements did not report a reduction in reserves between 1999 and 2000 because of a retroactive payment or other revenue.

As shown in the preceding chart, the Patrolmen's Benevolent Association Retiree Welfare Fund had an operating deficit in 2000 that exhausted its reserves. As a result, this fund became insolvent as of June 30, 2000, which may significantly affect its ability to provide benefits to members.

Fund trustees with large reserves should review the need for such reserves and, if appropriate, develop plans for increasing benefits to members. When reserve levels are dangerously low, trustees should reduce their fund's risk of insolvency.

Certain Funds Should Address Financial and Operating Issues to Ensure Maximum Use of Revenue and Continued Financial Stability

We identified the following financial issues that should be addressed by the management of certain funds:

- The expenses of certain funds exceeded their revenues, resulting in operating deficits. Operating deficits could deplete fund reserves, which could ultimately lead to insolvency.

- Certain funds spent a large percentage of their revenue on administrative expenses. Reducing administrative expenses would allow funds to increase benefits for members.

- Certain funds had large operating surpluses resulting in high reserves. Excess reserves may indicate that funds should increase members' benefits.

The chart on the following page lists those funds with financial issues that should be addressed by fund management.

Funds with Potential Problems
((Problem Areas Highlighted)

FUNDS	TOTAL REVENUE	OVERALL EXPENSES	SURPLUS OR OPERATING (DEFICIT)	ADMINISTRATIVE EXPENSE		BENEFITS EXPENSE		FUND BALANCE			RISK OF INSOLVENCY (SEE LEGEND)
				Total	% of Rev.	Total	% of Rev.	Total	% of Rev.	Balance / Deficit*	
Patrolmen's Benevolent Association RWF	21,059,323	22,617,545	(1,558,222)	1,920,260	9.12	20,697,285	98.28	(298,652)	(1.42)		I
Local 15 A-C Operating Engineers WF	800,865	369,549	431,316	107,487	13.42	262,062	32.72	3,392,617	423.62		N
Local 14A – 14B IUOE WF	106,975	63,639	43,336	17,049	15.94	46,590	43.55	420,374	392.96		N
Local 1180 CWA Municipal Management WF	9,482,102	6,268,948	3,213,154	1,057,926	11.16	5,211,022	54.96	30,832,104	325.16		N
Local 806 Structural Steel Painters RWF	44,941	26,782	18,159	435	0.97	26,347	58.63	161,901	360.25		N
Local 806 Structural Steel Painters WF	71,859	38,746	33,113	5,051	7.03	33,695	46.89	242,538	337.52		N
NYC Municipal Plumbers & Pipefitters WF	2,042,674	972,235	1,070,439	110,578	5.41	861,657	42.18	2,954,985	144.66		N
Local 333 United Marine Division RWF	274,016	198,011	76,005	54,813	20.00	143,198	52.26	445,173	162.46		N
Sergeants Benevolent Association (Police) WF/RWF	10,066,500	11,123,475	(1,056,975)	684,936	6.80	10,438,539	103.70	689,960	6.85	65%	P
Local 832 Teamsters RWF	166,608	228,783	(62,175)	33,308	19.99	195,475	117.33	44,596	26.77	72%	P
Local 832 Teamsters WF	542,555	594,058	(51,503)	96,605	17.81	497,453	91.69	49,313	9.09	96%	P
Local 371 Social Service Employees WF	19,835,509	21,324,137	(1,488,628)	2,273,792	11.46	19,050,345	96.04	2,742,584	13.83	184%	ST

Legend
I - Insolvency
N - Currently not at Risk of Insolvency
P - Possible Risk of Insolvency in less than one year
ST - Short-term Risk of Insolvency within one to two years
*A ratio estimating the number of years that a fund can operate before being "in the red" if all factors remain constant. For example, number "184%" would indicate that the fund has

approximately two years before becoming insolvent.

Fund managers have a fiduciary responsibility to provide optimum benefits to members while keeping administrative costs to a minimum. A fund that accumulates excessive reserves or expends large amounts for administrative costs does not achieve its basic goal of providing optimum benefits to members. The trustees of these funds should evaluate how their funds could be better operated.

Improper Eligibility Delay

Collective bargaining agreements and Declarations of Trust between the City and the Unions stipulate that welfare fund benefits be available to employees beginning on their first day of employment. However, benefit booklets distributed by some funds and telephone confirmations with fund officials revealed that during Fiscal Year 2000 six funds (NYC Local 246 Employee Welfare Fund; Civil Service Bar Association Welfare Fund; District Council 37 Welfare Fund; Local 237 Teamster's Welfare Fund; Local 371 Social Service Employees Welfare Fund; and District Council 9 Painting Industry Welfare Fund), delayed the start of their members' eligibility from 30-120 days, in violation of their agreements with the City.

Based on conversations with fund officials, the following four funds changed their policy during Fiscal Years 2001/2 and eliminated their waiting periods: Local 237 Teamsters' Welfare Fund (beginning October 1, 2000); Local 371 Social Service Employees Welfare Fund (beginning January 1, 2001); District Council 37 Welfare Fund (beginning July 1, 2001); and, Civil Service Bar Association Welfare Fund (beginning August 1, 2001). However, officials of the remaining two funds—NYC Local 246 Employee Welfare Fund and District Council 9 Painting Industry Welfare Fund—indicated that they plan to continue delaying their members' benefits. The Office of Labor Relations should take appropriate action, such as delaying the contributions made by the City to these two funds and recouping past contributions for the periods of time when City employees were not covered for benefits.

Failure to Submit Directive #12 Filings

Directive #12 requires that benefit funds prepare and annually submit various reports, documents and other materials to the Comptroller's Office no later than nine months after the close of each funds' fiscal year. For Fiscal Year 2000, four funds failed to comply with this requirement: Local 300 Civil Service Forum Welfare Fund, Local 300 Civil Service Forum Retiree Welfare Fund, Local 1183 Board of Elections Welfare Fund, and Local 1183 Board of Elections Retiree Welfare Fund.

Local 1183's failure is especially egregious since this fund was cited in our Fiscal Year 1999 Welfare Survey Report as not having submitted its Fiscal Year 1999 Directive #12 filing. In fact, as of June 14, 2002 (more than 24 months after its filing was due) Local 1183 still has not filed the Fiscal Year 1999 documents.

Funds should comply with the requirements of Directive #12 and submit their annual filings to the Comptroller's Office. If they do not comply, the Office of Labor Relations should take appropriate action.

CPA Opinions

Directive #12 requires that all welfare, retiree, annuity and affiliated funds receiving in excess of $15,000 in City contributions have their financial statements audited annually by certified public accountants. Each audit must include a complete examination in accordance with generally accepted auditing standards whereby an opinion is expressed on the financial statements taken as a whole. Furthermore, the fund agreements between the City and the unions require the preparation of each fund's financial statements on the accrual basis of accounting and in conformance with generally accepted accounting principles (GAAP).

Of the 91 funds reviewed, eight funds received adverse opinions and six funds received qualified opinions because their financial statements were not in compliance with GAAP. Specifically, these 14 funds excluded post-retirement or other benefit obligations from their financial statements. (See pages 34-35 in the body of the report for a list of the 14 funds.)

Under GAAP, all health and welfare benefit plans are required to include in their benefit obligations an estimate of post-retirement benefits to be provided to participants. The post-retirement benefit obligation is the actuarial present value of all future benefits attributed to services to plan participants rendered to date, based upon the plan's written provisions, assuming the plan continues in effect and all assumptions about future events are fulfilled.

Funds receiving adverse or qualified opinions should take immediate action to correct these problems.

Field Audits of Funds

In addition to analyzing Directive #12 filings, the Comptroller's Office periodically performs financial and operational audits of selected funds. There were 69 audit reports issued by the Comptroller's Office during Fiscal Years 1985-2002. (These audits are listed in Appendix C at the end of this report.) During Fiscal Year 2002, we issued the following three reports:

- Audit Report on the Financial and Operating Practices of the Communication Workers Association Local 1182 Security Benefits fund for the Fiscal Year Ending June 30, 2000
  Report #FL02-083A

- Audit Report on the Financial and Operating Practices of the Detectives Endowment Association Health Benefits Fund—Active Employees for Calendar Year 1999
  Report #FL02-085A

- Audit Report on the Financial and Operating Practices of the Detectives Endowment Association Health Benefits Fund—Retirees for Calendar Year 1999
  Repot #FL02-086A

(See pages 35-39 in the body of this report for details regarding these three audits.)

CONCLUSIONS AND RECOMMENDATIONS

Administrative and Benefit Expenses

There continues to be a variance in administrative costs as a percentage of total revenue for funds in each revenue category, with some funds spending more than twice the average of similarly-sized funds. Concurrently, some funds spend a significantly lower percentage of their revenue on benefits compared to other funds.

Recommendations

1. Trustees of funds with high percentages of administrative costs to total revenue and/or low percentages of benefit expenses to total revenue should reduce administrative expenses and increase benefits to members.

2. Trustees of funds using the same professional service providers for similar services should consider jointly negotiating future contracts with these providers to reduce administrative expenses through economies of scale.

3. Trustees of funds that insure some or all of their benefits should solicit competitive proposals from insurance companies.

Reserves

Several funds have incurred operating deficits and maintain very low levels of reserves, which may indicate potential future solvency problems. Other funds continue to maintain extremely high levels of reserves.

Recommendations

4. Trustees of funds with low reserve levels should take appropriate action to ensure that their funds always maintain sufficient reserves against insolvency.

5. Trustees of funds that incur significant operating deficits, particularly those with low reserve levels, should ensure that benefit and administrative expenses do not exceed projected total revenue.

6. Trustees of funds with high reserve levels, particularly those whose funds spend less than average amounts of their revenue on benefits, should consider enhancing their members' benefits, while maintaining adequate reserves.

Exceptions on Fund Operations

As in previous years, we identified various funds that do not comply with all aspects of their unions' agreements with the City and with Comptroller's Directive #12.

Recommendations

7. Trustees of funds that delay members' eligibility for benefits beyond their first day of

employment should revise their fund's policy to comply with their union's welfare fund agreement with the City.

8. Trustees of funds that fail to submit their Directive #12 filings should take immediate action to submit them on time.

9. OLR should take appropriate action regarding those funds listed in this report that did not submit their Directive #12 filings to the Comptroller's Office.

10. OLR should use the information in this report to ensure that the trustees of the funds cited herein correct the noted exceptions.

11. OLR should recover the portion of City contributions from those funds that do not provide benefits to members from their first day of employment. It should be noted that this recommendation was made in our six previous reports (FM01-072A, FM00-070A, FM99-057A, FM98-058, FM96-185A, and FM95-190A.)

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The City of New York
Office of the Comptroller
Bureau of Financial Audit

Analysis of the Financial and Operating Practices of Union-Administered Benefit Funds Whose Fiscal Years Ended During Calendar Year 2000

FM02-073A

INTRODUCTION

Background

New York City has provided various health insurance benefits to its employees since 1947. Since 1966, the City has provided its active employees, their families, and retirees with basic health and hospitalization coverage.

As a result of collective bargaining with the Uniformed Sanitationmen's Association in 1962, the City agreed to contribute $56.50 per employee to the Union's welfare fund allowance in addition to health insurance benefits it provided directly. This allowance provided additional health insurance benefits. By 1971, managerial employees and most full-time employees represented by collective bargaining units received this benefit. In 1973, retirees and part-time employees became eligible to receive additional health benefits, subject to certain restrictions. In some cases, separate funds were established for the retirees.

By 2000, the annual contributions to the various union-administered welfare funds ranged from $785 to $1,928 per employee per year; the aggregate annual cost to the City (including contributions to annuity funds) was approximately $785.8 million.

Pursuant to the collective bargaining agreements, City contributions are placed in legally established trusts administered by trustees appointed by the unions or associations. City officials, therefore, are not directly involved in fund administration.

The determination of types of benefits, amounts, deductibles, etc., is left to the trustees' discretion. The benefits provided are listed in the fund agreements between the City and the unions. Some funds now provide legal assistance and educational activities in addition to health benefits. Other funds, such as the Uniformed Officers' Funds, receive additional City contributions to operate Civil

Legal Representation Funds that provide their members protection from civil lawsuits. Some funds are self-insured; other funds provide most of their benefits through insurance companies. Typical benefits provided by funds to employees and their families include the following:

- dental benefits—including regular exams, cleaning, X-rays, fluoride treatments, fillings, extractions, crowns, root canals, orthodontics, and other dental procedures;

- optical benefits for examinations and eyeglasses;

- prescription drug reimbursement;

- life insurance; and

- supplemental health and hospitalization.

In addition to contributing to the various welfare funds, the City contributes a dollar (or more) to annuity funds for each workday of uniformed employees and certain other workers on active duty. Upon retirement, death, or termination, an employee receives a lump sum distribution consisting of the City's contributions to the employee's annuity fund, plus any interest or other income earned, in addition to the employee's statutory City pension.

Nineteen funds received between $1 million and $3 million in City contributions in 2000, and 37 funds received more than $3 million each. Of the 37 funds receiving more than $3 million, 12 funds received more than $10 million each from the City, accounting for approximately 77.5 percent of the City's contributions to benefit funds in 2000, as shown on Table I, following:

TABLE I

Funds Receiving More Than $10 Million* in City Contributions in 2000

Fund Name	Total Revenue	NYC Contributions**
District Council 37 Welfare Fund	$193,504,770	$186,825,036
Local 2 United Federation of Teachers Welfare Fund	186,396,277	177,565,940
Patrolmen's Benevolent Association Welfare Fund	33,406,236	29,854,139
Local 237 Teamster's Welfare Fund	30,640,224	26,931,517
Patrolmen's Benevolent Association Retirees Welfare Fund	21,059,323	21,018,496
PSC CUNY Welfare and Retiree Welfare Fund	21,420,199	20,413,089
Patrolmen's Benevolent Association Annuity Fund	28,559,840	13,498,996
Local 371 Social Service Employees Welfare Fund	19,835,509	19,758,740
Local 94 Uniformed Firefighter's Associations Welfare Fund	11,854,322	10,770,801
Local 1180 CWA Municipal Management Welfare Fund	13,039,641	10,177,662
Corrections Officer's Benevolent Association Welfare Fund	12,907,990	12,899,292
District Council 37 Annuity Fund	36,502,755	35,066,619
Total	$609,127,086	$564,780,327

*****This cutoff figure is arbitrary and used for descriptive purposes only. A cutoff of $9 million would add another six funds to the list.

******The difference between Total Revenue and New York City Contributions consists of revenue from interest, dividends, other employer contributions, investments, and miscellaneous income.

We categorized the 104 funds covered in this report by size, as shown in Table II, following:

TABLE II

Number and Categories of Benefit Plans in Survey

NYC Contributions	Active and Retiree Plans	Annuity	Total
Less than $100,000	7	2	9
$100,000 to $300,000	9	1	10
$300,000 to $1 million 15	1	16	
$1 million to $3 million	17	2	19
$3 million to $10 million*	15	10	25
$10 million to $20 million	4	1	5
More than $20 million*	6	1	7
Funds receiving less than five percent of its total revenue from the City or Plans with substantial revenues not contributed by the City	7	6	13
Total	80	24	104

*Local 621 SEIU Active and Retiree Welfare Funds are administered by Local 237 Teamsters' Welfare and Retiree Welfare Funds, respectively. Therefore, Local 621's financial information was incorporated into the Local 237 fund's financial information.

The 37 funds (insured, self-insured, and annuity) with City contributions of more than $3 million (including the 12 listed in Table I with contributions of more than $10 million) received approximately $719.32 million from the City and provided benefits to the bulk of the City's work force. (Exhibit B at the end of this report details the revenues and expenses of all funds.) Funds that received a substantial portion of their revenues from sources other than the City, one College Scholarship Fund that does not provide benefits to union members or their dependents, and two annuity funds that incurred a substantial loss on their investments that offset their total revenue, putting their revenue in the "negative". While these two annuity funds still incurred administrative costs, their ratios of costs to revenue could not be calculated.

For the reasons stated above, these 15 were not included in either the computation of category averages or in the financial analyses, since they would have distorted the averages. (These funds are listed separately in Exhibit B.)

Certain unions offer education, legal services, and disability benefits through separate funds. For purposes of this report, we consolidated these funds with their respective welfare-benefit funds.

Oversight Mechanism

The funds' agreements with the City's Office of Labor Relations (OLR) provide the following oversight mechanisms to monitor the funds' financial and operating activities:

- The trustees are required to keep accurate records in conformance with generally accepted accounting principles. The funds are audited annually by a certified public accountant (CPA) selected by the trustees. Comptroller's Directive #12 requires that funds solicit proposals for these services. (It should be noted that field audits of various funds performed by the Comptroller's Office have shown that not all funds adhered to these requirements.) Each CPA audit report must be submitted to the City Comptroller within nine months after the close of each fund's Fiscal Year. Funds are also subject to further audit by the City Comptroller.

- Nine months after the close of its Fiscal Year, each fund's trustees must file a report with the City Comptroller showing the fund's "condition and affairs"[1] during its Fiscal Year. The report must contain information as prescribed in Comptroller's Directive #12. In addition, an annual membership report must be mailed to all fund members, summarizing the financial condition of the fund.

Until 1977, the Comptroller's Office relied primarily upon the CPA reports for oversight. In 1977, the Comptroller's Office published the first Directive #12, which contained uniform reporting and auditing requirements for the benefit funds. (The Comptroller's Directives are used to establish policies governing internal controls, accountability, and financial reporting.)

In addition to providing a uniform reporting mechanism, Directive #12 requires the funds' Certified Public Accountants to prepare management letters commenting upon weaknesses in internal and management controls that were identified during their audits. Further, the Directive requests comments on management matters, such as investment policies, bidding practices, use of staff, and accounting allocations.

Directive #12 requires that each fund annually compute and submit the percentage of administrative expenses to total revenue. Overall, this percentage is expected to be "reasonable." It is the data received as a result of Directive #12 that provides the basis for this report, as well as the basis for subsequent reports or audits that we may undertake.

The revised Directive #12 in use during Fiscal Year 2000, which is attached as Appendix A at the end of this report, became effective on July 1, 1997, and is the most current Comptroller's Directive #12.

[1]The main component of "condition and affairs" is the fund's financial statements, which are audited and certified by an independent CPA firm. Most of the other documents (i.e., Administrative and Benefit Expense Schedules) include various calculations derived from information contained in the financial statements.

Scope of Analysis

This is the Comptroller's 21st report on the financial operations of union-administered welfare, retiree welfare, and annuity funds. Its analyses are based upon Fiscal Year 2000 financial reports and other information filed by the various funds with the City Comptroller's Office, as required by Comptroller's Directive #12.

The purpose of this report is to provide comparative analyses on the overall financial activities of the funds and their benefits. The analyses also provide a further means of viewing accountability of the fund trustees and administrators in reference to fund expenditures, by supplementing each fund's required CPA audit.

We reviewed the financial information provided by 104 funds that received City contributions during Fiscal Year 2000 information.[2] (Exhibit A at the end of this report lists each fund by their official and abbreviated names.)

Included within the 104 funds are 12 funds that receive a substantial portion of their revenues from sources other than the City, one College Scholarship Fund that does not provide benefits to union members or their dependents, and two annuity funds that incurred a substantial loss on their investments that offset their total revenue, putting their revenue in the "negative". While these two annuity funds still incurred costs, their ratios of costs to revenue could not be calculated. These 15 were not included in either the computation of category averages or in the financial analyses, since they would have distorted the averages. (Two funds, Local 621 SEIU Welfare Fund and Local 621 SEIU Retiree Welfare Fund, are administered by Local 237 Teamster's Welfare Fund and by Local 237 Teamster's Retiree Welfare Fund, respectively. The combined financial information of Local 621 SEIU Welfare and Retiree funds was, therefore, incorporated into Local 237 Welfare and Retiree Funds' financial information.) Consequently, this report deals with the remaining 89 funds, which received a total of approximately $763.8 million in City contributions during each funds' 2000 Fiscal Year. (Most of the funds' Fiscal Years ended in either June or September of 2000.)

Our examination was performed pursuant to the City Comptroller's audit responsibilities under Chapter 5, § 93, of the New York City Charter, and under the provisions of agreements between the City and the individual unions.

FUND EXPENSES

For purposes of this report, benefit expenses include costs directly associated with providing benefits to members, such as salaries or other payments: to attorneys who provide direct legal services to members; instructors who conduct in-house training for members; and physicians who examine members for worker's disability purposes. Administrative expenses include salaries for fund employees; insurance company retention fees; overhead expenses involved in doing business (i.e., costs associated with processing claims); office space rent and office expenses; professional fees paid for legal,

[2] Local 1183-Board of Elections Active and Retiree Funds and Local 300 Civil Service Forum Active and Retiree Funds were excluded from this survey because these four funds failed to submit their Directive #12 filings.

accounting, and consultant services; and travel and conference expenditures. (See Exhibit C at the end of this report for a breakdown of Administrative Expenses.)

In 2000, about $63.20 million or (7.37 percent of total revenue) was spent on administering the funds, as compared to $62.66 million (7.22 percent) spent on administration in 1999. The largest single component—salaries for administrative and clerical staff—totaled $24.4 million, representing 38.65 percent of total administrative expenses in 2000. Other major administrative expenses included $3.6 million for rent, $11.1 million for office expenses, $532,000 for insurance retention charges, $4.4 million for investment and custodial services, $13.1 million for consultant services, and $3.2 million for legal, accounting, and auditing services.

Funds provide benefits on an insured or self-insured basis. Whether a fund is insured or self-insured significantly affects the level of its reported administrative expenses. Self-insured funds categorize claims-processing costs as administrative expenses. In contrast, insured funds include most claims-processing costs as part of their insurance premiums, and thus categorize them as benefit expenses. Therefore, insured funds' reported administrative expenses are generally lower than those of self-insured funds. To make insured and self-insured funds more comparable, we transferred insurance company retention charges to administrative expense wherever possible.

For comparison purposes, we categorized the funds into the following three groups:

- insured active and retiree welfare funds (we classified a fund as insured if at least 80 percent of the total fund benefits were provided by insurance companies rather than directly by the fund),

- self-insured active and retiree welfare funds, and

- annuity funds.

Current City contracts do not specify what portion of the funds' total revenue may be reasonably spent on administrative expenses. In the absence of such standards, we calculated the average for each fund category, thus enabling us to isolate those funds whose administrative expenses deviated significantly from the averages. Tables III and IV, following, indicate, by category, the average amount and percentages of total revenue expended by the 89 funds on administrative expenses and the range of such percentages in 2000.

TABLE III

Average Amount and Percentage of Total Revenue
Spent by 89 Funds on Administration

City Revenue	Insured Active and Retiree Welfare Funds			Self-Insured Active and Retiree Welfare Funds			Annuity Funds[C]		
	Number[A]	Amount	Percent	Number	Amount	Percent	Number	Amount	Percent
Less than $100,000	(4)	$7,024	10.99%	(3)	$42,700	10.53%	(1)	$0[B]	0%
$100,000 to $300,000	(3)	27,224	12.57	(6)	30,535	15.16	(1)	51,405	12.04
$300,000 to $1 million	(3)	66,727	11.65	(12)	77,940	11.46	(1)	183,148	122.22
$1 million to $3 million	(0)	N/A	N/A	(17)	200,238	9.59	(2)	78,377	2.87
$3 million to $10 million	(0)	N/A	N/A	(15)	596,022	7.46	(9)	454,849	5.52
$10 million to $20 million	(0)	N/A	N/A	(4)	1,187,492	8.24	(1)	939,239	3.29
More than $20 million	(1)	967,632	4.52	(5)	7,563,081	8.13	(1)	342,291	0.94
Overall Average 2000	(11)	$116,144	5.31%	(62)	$905,775	8.16%	(16)	$360,405	3.97%
Overall Average 1999	(11)	$121,707	6.38%	(65)	$860,489	8.72%	(19)	$283,807	2.63%

(A) Figures in parentheses represent the number of funds in each category.
(B) This Fund did not use City contributions to administer the fund; administrative costs were paid for by the Union.
(C) As stated earlier in the report, two funds were omitted from all administrative cost-to-revenue ratio analyses. This year these two funds incurred a substantial loss on their investments that offset their total revenue, putting the revenue in the "negative". While these funds still incurred administrative costs, their ratio of administrative cost-to-revenue could not be calculated. The two funds and their respective net revenues and administrative costs are: Local 333 United Marine Division Annuity Fund (-$5,386, +$42,884), and the Local 94 Uniformed Firefighters Association Annuity Fund (-$3,100,296, +$196,882).

N/A = not applicable

TABLE IV

Ranges of Percentages of Total Revenue
Spent by 89 Funds on Administration

City Revenue	Insured Active and Retiree Welfare Funds	Self-Insured Active and Retiree Welfare Funds	Annuity Funds
Less than $100,000	0.97% to 17.44%	8.02% to 29.18%	0.00%
$100,000 to $300,000	2.92 to 20.00	4.14 to 96.00	12.04
$300,000 to $1 million	6.03 to 13.42	3.34 to 21.40	122.22
$1 million to $3 million	-	5.41 to 15.24	0.72 to 5.58
$3 million to $10 million	-	2.35 to 12.13	0.65 to 12.84
$10 million to $20 million	-	3.50 to 11.46	3.29
More than $20 million	4.52	7.78 to 9.12	0.94
Overall Average 2000	5.31%	8.13%	3.97%
Overall Average 1999	6.38%	8.72%	2.63%

High Percentage of Revenue Spent On Administration by Certain Active And Retiree Welfare Funds

Tables V and VI, following, list selected insured and self-insured active and retiree welfare funds with significantly higher percentages of revenue spent on administration within their respective category averages for 2000.

TABLE V

Insured Active and Retiree Welfare Funds with High Administrative Expense-to-Revenue Ratios

Fund Name	Category Average	Fund	Percentage Deviation From Category Average
Less than $100,000			
NYC Deputy Sheriffs Association RWF*	10.99	17.44%	58.69%
$100,000 to $300,000			
Local 333 United Marie Division RWF*	12.57	20.00%	59.11%

RWF = Retiree Welfare Fund
* These funds also incurred higher-than-average administrative costs in 1999.

TABLE VI

Self-Insured Active and Retiree Welfare Funds with
High Administrative Expense-to-Revenue Ratios

Fund Name	Category Average	Fund	Percentage Deviation From Category Average
Under $100,000			
Local 306 Municipal Employees WF*	10.53%	29.18%	177.11%
$100,000 to $300,000			
Local Lodge 5 Mcpl. Blacksmiths & Boilermakers WF/RWF	15.16	96.00	533.25
$300,000 to $1 million			
Local 858 IBT(OTB) Branch Office Managers WF	11.46	18.78	63.87
Doctors Council RWF*	11.46	21.40	86.74
Local 832 Teamsters WF	11.46	17.81	55.41
United Probation Officers Association RWF	11.46	18.55	61.87
$1 million to $3 million			
Doctors Council WF*	9.59	15.24	58.92
$3 million to $10 million			
Local 237 Teamster's RWF*	7.46	11.24	50.67
Local 831 Uniformed Sanitationmen's Association WF	7.46	12.13	62.60

WF = Welfare Fund

***These funds also incurred higher-than-average administrative costs in 1999.

Other funds, as shown in Table VII below, have increased the percentage of their revenues spent on administration.

TABLE VII

Funds with High Percentage Increase of Revenue Spent on Administration

Fund Name	Administrative Expense Percentages 1999	Administrative Expense Percentages 2000	Percentage Increase
Correction Captains Association Annuity Fund	4.00%	122.22%*	2,955.56%
Local Lodge 5 Mncpl. Blacksmiths & Boilermakers WF/RWF	9.54	96.00*	906.29
Local 806 Structural Steel Painter WF**	1.39	7.03	405.76
NYC Deputy Sheriffs Association RWF	4.29	17.44	306.53
NYC Deputy Sheriffs Association WF**	1.53	2.92	90.85
Local 14A – 14B IUOE WF/RWF	8.47	15.94	88.19
Local 832 Teamsters WF	13.39	17.81	33.01
Local 306 Municipal Employee WF	18.47	29.18	57.99
Correction Officers Benevolent Association RWF	6.06	9.25	52.64
Local 333 United Marine Division RWF**	13.59	20.00	47.17
Local 832 Teamsters RWF	14.93	19.99	33.89
Assistant Deputy Wardens Association WF/RWF	7.83	10.27	31.16
Local 211 Allied Building Inspectors WF	8.92	11.60	30.04

*These funds incurred substantial losses on their investments during Fiscal Year 2000 that were offset against City contributions in our computation of total revenue. Consequently, the percent of administrative expenses to total revenue was significantly higher than in past years. If these funds had not incurred such losses, the Correction Captains percentage of administrative expenses to total revenue would have been 29 percent, and Local Lodge 5 percentage of administrative expenses to total revenue would have been 24 percent.
**These funds also incurred a high percentage increase of revenue spent on administration in 1999.

Without a full audit of each individual fund, it is not possible to determine how the funds listed in the two previous Tables reduced or increased their administrative expense ratios.

Low Percentages of Revenue Spent on Administration

Tables VIII and IX, below, show selected insured and self-insured welfare and retiree welfare funds operating with substantially lower-than-average percentages of revenue spent on administration within their respective category averages for 2000.

TABLE VIII

Insured Active and Retiree Welfare Funds with Low Administrative Expense-to-Revenue Ratios

	Administrative Expense Percentages		
Fund Name	Category Average	Fund	Percentage Deviation From Category Average
Under $100,000			
Local 806 Structural Steel Painters WF*	10.99%	7.03%	(36.03%)
Local 806 Structural Steel Painters RWF*	10.99	0.97	(91.17)
$100,000 to $300,000			
NYC Deputy Sheriff's Association WF*	12.57	2.92	(76.77)
$300,000 to $1 million			
Local 333 United Marine Division WF*	11.65	6.03	(48.24)

*These funds also had lower-than-average administrative costs in 1999.

TABLE IX

Self-Insured Active and Retiree Welfare Funds with
Low Administrative Expense-to-Revenue Ratios

Fund Name	Administrative Expense Percentages: Category Average	Fund	Percentage Deviation From Category Average
$100,000 to $300,000			
NYC Municipal Steamfitter and Steamfitter Helpers RWF*	15.16%	4.14%	(72.69%)
$300,000 to $1 million			
NYC Municipal Steamfitter and Steamfitter Helpers WF*	11.46	3.34	(70.86)
$1 million to $3 million			
Local 854 Uniformed Fire Officers Association WF*	9.59	5.26	(45.15)
NYC Municipal Plumbers & Pipefitters WF	9.59	5.41	(43.59)
$3 million to $10 million			
Local 854 Uniformed Fire Offices RWF*	7.46	4.32	(42.09)
Superior Officers Council (Police) RWF*	7.46	4.47	(40.08)
New York City Retiree WF	7.46	2.35	(68.50)
$10 million to $20 million			
Correction Officers Benevolent Association WF*	8.24	3.50	(57.52)

*These funds also had lower than average administrative costs in 1999.

These results show that some funds can operate in a significantly less costly manner than others, in terms of administrative costs.

Funds With Improved Administrative Expenses-to-Revenue Ratios

Nine funds significantly reduced the percentage of their revenues spent on administration. As shown in Table X, below, these funds reduced their administrative expense percentages between 32.39 and 59.61 percent. There may be several reasons why administrative expenses decrease significantly from one year to the next. For example, funds may contract with less costly providers (e.g., accountants, attorneys, and consultants), or trustees may change the basis of expense allocations between the union and the fund. However, without a full audit of each individual fund, it is not possible to determine how these funds reduced their administrative expenses.

TABLE X

Funds with Lower Percentages of Revenue
Spent on Administrative Expenses

Fund Name	Administrative Expense Percentages* 1999	2000	Percentage Decrease
NYC Municipal Steamfitters & Steamfitter Helper WF	8.27%	3.34%	(59.61%)
NYC Municipal Steamfitters & Steamfitter Helpers RWF	9.87	4.14	(58.05)
New York City Retiree WF	5.29	2.35	(55.58)
NYC Municipal Plumbers & Pipefitters WF	11.38	5.41	(52.46)
District Council 9 Painting Industry WF/RWF	14.19	6.88	(51.52)
Fire Alarm Dispatchers Benevolent Association WF	29.11	14.44	(50.40)
Local 806 Structural Steel Painters RWF	1.72	0.97	(43.60)
House Staff Comm of Interns & Residents WF/Legal	21.85	13.14	(39.86)
United Probation Officers Association WF	19.11	12.92	(32.39)

*Our analysis of administrative expenses reported in the funds' financial statements is uniform for the purpose of our report. At times, we may be required to reclassify specific expenses (i.e., insurance retention) to uniformly evaluate all funds.

Annuity Funds—Administrative Expenses

In addition to contributing to the active and retiree welfare funds, the City contributes to annuity funds for uniformed employees and other specific workers on active duty. Upon termination from City service, covered employees receive lump sum distributions based on the value of their accounts. These distributions can include City contributions, plus interest and dividends, investment appreciation (depreciation), or other income.

Annuity funds differ from active and retiree welfare funds in that they derive a significant portion of their total revenue from investment income and generally provide only one type of benefit. The percentage of revenue that annuity funds spend on benefits and administration is not comparable to the percentages spent by active and retiree welfare funds. Therefore, we computed category averages for the 16 annuity funds covered in this report separately from those amounts calculated for active and retiree welfare funds.

Table XI below highlights selected annuity funds that had high administrative expenses:

TABLE XI

Annuity Funds with High Administrative Expense-to-Revenue Ratios

	Administrative Expense Percentages		
Fund Name	Category Average	Fund	Percentage Deviation From Category Average
Local 444 Sanitation Officers Annuity Fund	2.87	5.58	94.43
Correction Officers Benevolent Association Annuity Fund*	6.03	9.90	64.18

*This fund also incurred higher than average administrative costs in 1999.

Reducing administrative expenses would increase members' equity and result in larger annuity payments to members.

In contrast to the annuity funds listed in Table XI, Table XII, below, highlights selected annuity funds that had minimal administrative expenses:

TABLE XII

Annuity Funds with Low Administrative Cost-to-Revenue Ratios

	Administrative Expense Percentages		
Fund Name	Category Average	Fund	Percentage Deviation From Category Average
NYC Deputy Sheriff's Association*	75.51	0.00	(100.00)
Local 30A-D IUOE Engineers**	6.03	0.65	(89.22)
Local 15A-C (IUOE) Operating Municipal Engineers**	2.87	0.72	(74.91)
Local 854 Uniformed Fire Officers Association**	6.03	1.61	(73.30)
Local 1180 CWA Members**	6.03	2.38	(60.53)

*This fund did not use City contributions to administer the fund; administrative costs were paid for by the Union.
**These funds also incurred lower than average administrative costs in 1999.

Consolidation of Professional Services

Most funds receiving City contributions enter into contracts with various professional providers for services such as accounting/auditing and legal counsel. Many funds use the same professional service provider for similar services. One CPA firm, for example, Gould, Kobrick & Schlapp, provides accounting services for 12 different unions representing 29 separate funds. (Appendix D at the end of this report lists the funds using the same providers for similar professional services.)

Trustees of funds using the same providers for similar services may reduce their funds' administrative expenses by negotiating future contracts jointly.

Administrative Expenses vs. Total Expenses

Administrative expenses are directly related to benefit expenses and volume (i.e., the more claims processed, the greater the expense for salaries, stationery, printing, etc.). Fund trustees should carefully examine the relationship of administrative expenses to revenues. By reducing administrative expenses, funds could increase the amount of benefits provided to its members.

Table XIII, below, illustrates the category average percentages of administrative expenses to total expenses and restates the category average percentages of administrative expenses to total revenue (from page 8):

TABLE XIII

Administrative Expenses as a Percentage of
Total Revenue and Total Expenses by Fund Category

Revenue Category	Insured Active and Retiree Welfare Funds		Self-Insured Active and Retiree Welfare Funds	
	Administrative Expenses as a Percentage of:			
	Total Expenses	Total Revenue	Total Expenses	Total Revenue
Less than $100,000	16.09%	10.99%	11.01%	10.53%
$100,000 to $300,000	15.83	12.57	14.50	15.16
$300,000 to $1 million	17.78	11.65	12.38	11.46
$1 million to $3 million	-	-	10.73	9.59
$3 million to $10 million	-	-	8.26	7.46
$10 million to $20 million	-	-	8.70	8.24
More than $20 million	4.39	4.52	7.97	8.13
Overall Average	5.36%	5.31%	8.27%	8.16%

EXPENDITURES FOR BENEFITS

The City has not established guidelines on the percentage of annual revenue that should be spent on benefits. In the absence of such guidelines, we calculated category averages for the funds listed below in Table XIV. Wherever funds insured some or all of their benefits, we reduced the total premiums by the retention charges (overhead expenses involved in doing business, i.e., costs associated with processing claims) to calculate net benefit expenses.

TABLE XIV

Percentage of Total Revenue Spent on Benefits, by Fund Category

Total Revenue	Insured Active and Retiree Welfare Funds	Self-Insured Active and Retiree Welfare Funds
Less than $100,000	57.31%	85.14%
$100,000 - $300,000	66.81	89.34
$300,000 - $1 million	53.86	81.10
$1 million - $3 million	-	79.79
$3 million - $10 million	-	82.90
$10 million - $20 million	-	86.51
More than $20 million	98.35	93.97
Overall Average (Not Weighted)	93.88%	90.51%

Although these percentages do not indicate the quality of benefits provided, they do provide a benchmark for comparison and further study. (Exhibit D at the end of this report indicates the amounts expended and the types of benefits provided by the funds.)

Some funds spent more than their category average for benefits; others spent less. Table XV, below, lists selected funds whose benefit expenses significantly exceeded the respective category averages. However, when a fund's expenses exceed the category average, this does not necessarily represent a problem. For example, the Local Lodge 5 Municipal Blacksmiths & Boilermakers WF/RWF exceeded the category average, but still had sufficient reserves to ensure its continued financial viability, as shown in Table XVII on page 22.

TABLE XV

Self-Insured and Insured Active and Retiree Welfare Funds with High Benefit-to-Revenue Ratios

	Benefits as a Percentage of Total Revenue		
Fund Name	Category Average	Fund	Percentage Deviation From Category Average
Local Lodge 5 Mcpl. Blacksmiths & Boilermakers WF/RWF	89.34%	518.62%	480.50%
NYC Deputy Sheriff's Association RWF*	57.31	125.13	118.34
Local 333 United Marine Division WF*	53.86	92.98	72.63
Local 306 Municipal Employees WF*	85.14	142.38	67.23
Local 444 Sanitation Officers WF*	79.79	106.96	34.05
Local 832 Teamsters RWF	89.34	117.33	31.33
Local 94 Uniformed Firefighters Association RWF	82.90	107.66	29.87
Sergeants Benevolent Association WF/ RWF*	82.90	103.70	25.09

* These funds also spent more than the category average in 1999.

In contrast, several funds spent less than the category averages for benefits, as shown in Table XVI, below.

TABLE XVI

Self-Insured and Insured Active and Retiree Welfare Funds with Low Benefit-to-Revenue Ratios

Fund Name	Benefits as a Percentage of Total Revenue: Category Average	Fund	Percentage Deviation From Category Average
NYC Municipal Steamfitters & Steamfitter Helper RWF	89.34%	31.55%	(64.69%)
NYC Municipal Steamfitters & Steamfitter Helper WF	81.10	30.78	(62.05)
NYC Municipal Plumbers & Pipefitters WF	79.79	42.18	(47.14)
Local 15 A-C Operating Engineers Municipal Employees WF & RWF*	53.86	32.72	(39.25)
Local 1180 CWA Municipal Management RWF*	82.90	54.96	(33.70)
Local 1 Council of Supervisors & Administrators WF	82.90	55.31	(33.28)
Local 858 IBT (OTB) Branch Office Managers WF	81.10	55.70	(31.32)
Local 3 IBEW Electricians WF	79.79	54.88	(31.22)
Local 806 Structural Steel Painter RWF	57.31	58.63	2.30

*These funds also spent less than the category average in 1999.

The benefit expenses for the seven funds listed in Table XVII, below, exceeded total revenue, causing the funds to dip into their reserves. The use of reserves to provide benefits may indicate that the benefits provided were not evaluated in relation to the resources available to the funds.

TABLE XVII

Self-Insured and Insured Active and Retiree Welfare Funds with Benefit Expenses That Exceeded Their Revenue

Fund Name	Total Revenue	Benefit Expenses	Percentage of Revenue Spent on Benefits	1999-2000 Percentage Decrease in Reserve	Ending Fund Balance 2000
Less than $100,000					
Local 306 Municipal Employee WF*	$71,042	$101,151	142.38%	21.79%	$181,109
NYC Deputy Sheriff's Assoc. RWF*	31,887	39,899	125.13	9.63	127,327
$100,000 to $300,000					
Local 832 Teamsters RWF	166,608	195,475	117.33	58.23	44,596
Local Lodge 5 Mcpl. Blacksmiths & Boilermakers WF/RWF*	33,304	173,239	518.62	27.63	450,244
$1 million to $3 million					
Local 444 Sanitation Officers WF	1,427,516	1,526,851	106.96	20.25	838,732
$3 million to $10 million					
Local 94 Uniformed Firefighters Association RWF	10,619,222	11,432,215	107.66	16.68	7,039,520
Sergeants Benevolent Association (Police) WF/RWF	10,066,500	10,438,539	103.70	39.27	689,960

*These funds also had high reserves (fund balances) in relation to annual revenue (see Tables XIX and XX), so the benefit spending in excess of revenue is not a major concern.

Funds with large reserves may knowingly use up their excess reserves by increasing employee benefits. Funds with low reserves in relation to total revenue, on the other hand, should evaluate their financial position in relation to the costs of benefits they provide.

Fund trustees should carefully examine the relationship between benefit expenditures and revenues. If a fund overspends on benefits, it may deplete necessary reserves unless it underspends on administrative expenses. If a fund underspends on benefits, it may provide insufficient benefits for its members while overspending on administrative expenses or building unnecessary reserves. The funds should achieve a proper balance.

RESERVE LEVELS

Reserves held by the funds provide a cushion if claims for benefits exceed revenues in any particular year. Reserves accumulate when fund revenues exceed expenses. (See Exhibit B at the end of this report for the amount of each funds' reserves.) Table XVIII shows the reserve averages for each fund category.

TABLE XVIII

Average Amount of Reserves and Percentage of Reserves to Annual Revenue by Fund Category

	Insured Active and Retiree Welfare Funds		Self-Insured Active and Retiree Welfare Funds	
Total Revenue	Amount	Percent	Amount	Percent
Less than $100,000	$238,035	372.42%	$895,827	220.92%
$100,000 - $300,000	363,914	167.98	430,570	213.70
$300,000 - $1 million	1,482,249	258.75	969,747	142.64
$1 million - $3 million	-	-	2,568,357	122.92
$3 million - $10 million	-	-	8,931,164	111.82
$10 million - $20 million	15,404,822	71.92	11,883,737	82.13
More than $20 million	-	-	69,134,198	74.34
Overall Average	$1,990,496	91.06%	$9,476,505	85.33%

Using 100 percent of total annual revenue as a reasonable level for reserves for insured active and retiree welfare funds, we identified 10 funds with excess reserves. (See Exhibit B at the end of this report.) These 10 funds are listed in Table XIX.

TABLE XIX

Insured Active and Retiree Welfare Funds
Reserves in Excess of 100 Percent of Revenue

Fund Name	Funds' Reserves	Percentage of Reserves to Total Revenue
Local 15 A-C Operating Engineers WF/RWF*	$3,392,617	423.62%
NYC Deputy Sheriff's Association RWF*	127,327	399.31
Local 14 – 14B IUOE WF*	420,374	392.96
Local 806 Structural Steel Painters RWF*	161,901	360.25
Local 806 Structural Steel Painters WF*	242,538	337.52
Local 1181 CWA Supervisory Employees RWF*	431,332	219.31
Local 333 United Marine Division WF	511,599	127.27
Local 333 United Marine Division RWF*	445,173	162.46
NYC Deputy Sheriffs Association WF*	215,236	120.10
Local 1181 CWA Supervisory Employees WF	542,532	105.20

*Also identified in 1999 Survey of Benefit Funds Report as having reserves in excess of 100 percent of total revenue.

Using 200 percent of total annual revenue as a reasonable level for reserves for self-insured funds, we identified 12 funds, listed below in Table XX, that had reserves in excess of this amount:

TABLE XX

Self-Insured Active and Retiree Welfare Funds
Reserves in Excess of 200 Percent of Revenue

Fund Name	Fund Reserves	Percentage of Reserves to Total Revenue
Local Lodge 5 Mcpl. Blacksmiths & Boilermakers WF & RWF*	$450,244	1347.87%
Local 1180 CWA Municipal Management RWF*	30,832,104	325.16
District Council 9 Painting Industry WF/RWF	2,840,258	291.22
District Council 1 MEBA Beneficial Fund Trust WF*	415,048	278.03
Local 3 IBEW City Employees Welfare Fund*	800,427	263.13
Local 306 Municipal Employees WF*	181,109	254.93
Doctors Council RWF*	1,351,821	240.77
Doctors Council WF*	3,421,416	240.60
Surrogates & Supreme Court Reporters Association RWF*	370,308	231.09
NYC Municipal Steamfitter & Steamfitter Helpers RWF*	526,699	218.77
NYS Court Clerks Association RWF*	2,136,065	216.81
Local 721 Licensed Practical Nurses WF*	3,825,708	208.23

*Also identified in the 1999 Survey of Benefit Funds Report as having reserves in excess of 200 percent of total revenue.

OPERATING DEFICITS

In 2000, 20 of the 73 active and retiree welfare funds in our analysis incurred operating deficits totaling $25.8 million, as shown in Table XXI, below. The deficits ranged from $3,816 to $15,291,662. One of these funds, the Patrolmen's Benevolent Association RWF, significantly reduced its reserves by 123.71 percent and as of June 30, 2000, became insolvent.

TABLE XXI

Funds with Operating Deficits and Declining Reserves

Fund Name	2000 Operating Deficit	2000 Reserves	1999 Reserves	1999 – 2000 Percentage Change in Reserves
District Council 37 WF*	$15,291,662	$140,799,988	$156,091,650	(9.80%)
Local 2 United Federation of Teachers WF	3,602,357	130,073,660	135,501,885	(4.01)
Patrolmen's Benevolent Association RWF*	1,558,222	(298,652)	1,259,570	(123.71)
Local 371 Social Service Employees WF*	1,488,628	2,742,584	1,793,578	**
Local 94 Uniformed Firefighters Association RWF*	1,409,697	7,039,520	8,449,217	(16.68)
Sergeants Benevolent Association WF/RWF*	1,056,975	689,960	1,136,099	(39.27)
Professional Staff Congress CUNY WF/RWF*	615,181	15,404,822	16,020,003	(3.84)
Local 444 Sanitation Officers Association WF*	213,007	838,732	1,051,739	(20.25)
Local Lodge 5 Mcpl. Blacksmiths & Boilermakers WF/RWF	171,904	450,244	622,148	(27.63)
Doctors Council RWF	72,225	1,351,821	1,424,046	(5.07)
Local 832 Teamsters RWF	62,175	44,596	106,771	(58.23)
Civil Service Bar Association WF	53,994	1,316,120	1,386,871	(5.10)
Local 832 Teamsters WF	51,503	49,313	100,816	(51.09)
Local 306 Municipal Employees WF*	50,842	181,109	231,577	(21.79)
Local 891 School Custodian & Custodian Engineers WF/RWF*	50,152	1,185,542	1,696,104	(30.10)
Detectives Endowment Association RWF*	49,909	4,023,178	3,724,888	**
Local 3 IBEW City Employees WF	26,106	800,427	825,532	(3.04)
NYC Deputy Sheriffs Association RWF*	13,574	127,327	140,901	(9.63)
District Council MEBA Beneficial Trust WF	6,554	415,048	421,602	(1.55)
Local 3 IBEW Electricians RWF	3,816	950,740	929,851	**
Total	$25,848,483	$308,186,079	$332,914,848	(7.43%)

*These funds also incurred operating deficits and declining reserves in 1999.
** These funds' operating deficits were offset by a retroactive payment received in 2000 or by a prior period adjustment.

Table XXII, below, summarizes the operating results of the nine funds whose 2000 deficits accounted for nearly 98 percent of the total deficits incurred in 2000. As shown in the table, the Patrolmen's Benevolent Association RWF had an operating deficit in 2000 that exhausted its reserves. As a result, this fund became insolvent as of June 30, 2000, which may significantly affect its ability to provide benefits to members.

TABLE XXII

Funds with Significant Operating Deficits

Fund Name	2000 Operating Deficit	2000 Reserves*	Percentage of Reserves to Total Revenue	Percentage Decrease in Reserves
District Council 37 WF	$15,291,662	$140,799,988	72.76%	(9.80%)
Local 2 United Federation of Teachers WF	3,602,357	130,073,660	69.78	(4.01)
Patrolmen's Benevolent Association RWF**	1,558,222	(298,652)	(1.42)	(123.71)
Local 371 Social Service Employees WF	1,488,628	2,742,584	13.83	***
Local 94 Uniformed Firefighters Assoc. RWF	1,409,697	7,039,520	66.29	(16.68)
Sergeants Benevolent Association WF/RWF**	1,056,975	689,960	6.85	(39.27)
Professional Staff Congress CUNY WF/RWF	615,181	15,404,822	71.92	(3.84)
Local 444 Sanitation Officers Association WF	213,007	838,732	58.75	(20.25)
Local Lodge 5 Mcpl. Blacksmiths & Boilermakers WF/RWF**	171,904	450,244	1347.87	(27.63)
Total	$25,407,633	$297,740,858		(7.51%)

*After the 2000 operating deficit.
**These funds' operating deficits represent a significant (greater than 25%) portion of the funds' reserves.
*** This fund's financial statements did not report a reduction in reserves between 1999 and 2000 because of a retroactive payment received in 2000 or a prior period adjustment.

We identified insured and self-insured welfare funds that are approaching low levels of reserves. In identifying these funds, we considered the dollar amount of reserves, the ratio of reserves to the funds' total annual revenue, whether the funds are insured or self-insured, and recent years' operating results. Table XXIII, below, highlights funds that may have current, as well as future, solvency problems if the current trend of using reserves for operations continues.

TABLE XXIII

Funds with Low Reserve Levels

Fund Name	Excess of Revenue over Expenses	Reserves	Percentage of Reserves to Total Revenue	Category Average for Percentage of Reserves to Total Revenue	Percentage Deviation from Category Average
Local 832 Teamster's WF*	($51,503)	$49,313	9.09%	142.64%	(93.63%)
Local 832 Teamster's RWF*	(62,175)	44,596	26.77	213.70	(87.47)
Local 371 Social Service Employees WF*	(1,488,628)	2,742,584	13.83	82.13	(83.16)
Sergeants Benevolent Association (Police) WF/RWF*	(1,056,975)	689,960	6.85	111.82	(93.87)
Patrolmen's Benevolent Association RWF*	(1,558,222)	(298,652)	(1.42)	74.34	(101.91)

*Indicates those funds whose expenses also exceeded revenue in 1999.

High reserve levels may indicate that funds do not spend enough of their total annual revenue on benefits; low reserve levels may point to excessive amounts of revenue spent on benefits and administrative expenses, thereby reducing funds' reserves.

The large number of funds that incurred operating deficits, and the relationship between deficits and diminishing reserves, point to a need for a higher level of trustee stewardship. This would help to ensure that anticipated fund benefits and expenses do not exceed projected total revenue. When reserve levels are dangerously low, trustees should make every effort to reduce their fund's risk of insolvency. (See Exhibit B at the end of this report for a more detailed summary of total revenues, excess of revenue over expenses, and fund balances.)

ANALYSIS OF TOTAL REVENUE

In 2000, the 73 active and retiree welfare funds in our survey had revenue totaling $712.5 million. Expenses for these funds totaled $703.2 million—$57.4 million for fund administration and $645.8 million for benefits to members. The $9.3 million excess of revenue over expenses increased the funds' reserves.

In previous sections, we analyzed funds' use of their total revenues. Table XXIV, below, lists funds that have high administrative costs and/or low benefit costs compared to category averages.

TABLE XXIV

Insured and Self-Insured Active and Retiree Welfare Funds with High Administrative Expenses and/or Low Benefit Expenses

		Percentage of Administrative Expenses to Total Revenue		Percentage of Benefit Expenses to Total Revenue	
Fund Name	Total Revenue	Category Average	Fund Actual	Category Average	Fund Actual
Local 3 IBEW Electricians WF	$1,403,454	9.59%	7.54%	79.79%	**54.88%**
Local 15 A-C Operating Engineers WF/RWF*	800,865	11.65	13.42	53.86	**32.72**
Local 1180 CWA Municipal Management RWF*	9,482,102	7.46	**11.16**	82.90	**54.96**
Fire Alarm Dispatchers Benevolent Association WF*	314,664	15.16	14.44	89.34	**67.26**
Doctors Council RWF*	561,446	11.46	**21.40**	81.10	91.46
Local 306 Municipal Employees WF	71,042	10.53	**29.18**	85.14	142.38
Surrogates & Supreme Court Reporters Association RWF	160,242	10.52	8.02	85.14	**67.48**
Local Lodge 5 Mcpl. Blacksmiths & Boilermakers WF/RWF	33,404	15.16	**96.00**	89.34	**518.62**
NYC Municipal Plumbers & Pipefitters WF	2,042,674	9.59	5.41	79.79	**42.18**
United Probation Officers Association RWF	418,856	11.46	**18.55**	81.10	**72.17**
Local 858 IBT(OTB) Branch Office Managers WF	344,184	11.46	**18.78**	81.10	**55.70**
NYC Municipal Steamfitters & Steamfitter Helpers WF	486,955	11.46	3.34	81.10	**30.78**
Local 1 Council of Supervisor & Administrative WF	10,071,521	7.46	5.57	82.90	**55.31**
Local 831 Uniform Sanitationmen's Association WF	7,315,423	7.46	**12.13**	82.90	86.17
NYC Municipal Steamfitters & Steamfitter Helpers RWF	240,754	15.16	4.14	89.34	**31.55**

*Noted in 1999 survey report as having high administrative costs and/or low expenditures for benefits.

The basic objective of a welfare fund is to provide benefits to members. This can be better achieved by keeping administrative expenses to a minimum. Funds that accumulate excessive reserves or expend large amounts for administration at the expense of members' benefits do not achieve their basic objective. Therefore, the trustees of these funds should evaluate how they expend total revenue.

Certain Funds Should Address Financial and Operating Issues to Ensure Maximum Use of Revenue and Continued Financial Stability

We identified certain financial issues that should be addressed by fund management. Specifically:

- The expenses of certain funds exceeded their revenues, resulting in operating deficits. Operating deficits could deplete fund reserves, which could ultimately lead to insolvency.

- Certain funds spent a large percentage of their revenue on administrative expenses. Reducing administrative expenses would allow funds to increase benefits for members.

- Certain funds had large operating surpluses resulting in high reserves. Excess reserves may indicate that funds should increase members' benefits.

Table XXV, following, lists those funds with financial issues that, in our opinion, should be addressed by fund management.

TABLE XXV
Funds with Potential Problems
(Problem Areas Highlighted)

FUNDS	TOTAL REVENUE	OVERALL EXPENSES	SURPLUS OR OPERATING (DEFICIT)	ADMINISTRATIVE EXPENSE		BENEFITS EXPENSE		FUND BALANCE			RISK OF INSOLVENCY (SEE LEGEND)
				Total	% of Rev.	Total	% of Rev.	Total	% of Rev.	Balance / Deficit*	
Patrolmen's Benevolent Association RWF	$ 21,059,323	$ 22,617,545	($1,558,222)	$ 1,920,260	9.12%	$ 20,697,285	98.28%	($298,652)	(1.42%)		I
Local 15 A-C Operating Engineers WF	800,865	369,549	431,316	107,487	13.42	262,062	32.72	3,392,617	423.62		N
Local 14A – 14B IUOE WF	106,975	63,639	43,336	17,049	15.94	46,590	43.55	420,374	392.96		N
Local 1180 CWA Municipal Management WF	9,482,102	6,268,948	3,213,154	1,057,926	11.16	5,211,022	54.96	30,832,104	325.16		N
Local 806 Structural Steel Painters RWF	44,941	26,782	18,159	435	0.97	26,347	58.63	161,901	360.25		N
Local 806 Structural Steel Painters WF	71,859	38,746	33,113	5,051	7.03	33,695	46.89	242,538	337.52		N
NYC Municipal Plumbers & Pipefitters WF	2,042,674	972,235	1,070,439	110,578	5.41	861,657	42.18	2,954,985	144.66		N
Local 333 United Marine Division RWF	274,016	198,011	76,005	54,813	20.00	143,198	52.26	445,173	162.46		N
Sergeants Benevolent Association (Police) WF/RWF	10,066,500	11,123,475	(1,056,975)	684,936	6.80	10,438,539	103.70	689,960	6.85	65%	P
Local 832 Teamsters RWF	166,608	228,783	(62,175)	33,308	19.99	195,475	117.33	44,596	26.77	72%	P
Local 832 Teamsters WF	542,555	594,058	(51,503)	96,605	17.81	497,453	91.69	49,313	9.09	96%	P
Local 371 Social Service Employees WF	19,835,509	21,324,137	(1,488,628)	2,273,792	11.46	19,050,345	96.04	2,742,584	13.83	184%	ST

Legend
I - Insolvency
N - Currently not at Risk of Insolvency
P - Possible Risk of Insolvency in less than one year
ST - Short-term Risk of Insolvency within one to two years
*A ratio estimating the number of years that a fund can operate before being "in the red" if all factors remain constant. For example, number "184%" would indicate that the fund has approximately two years before becoming insolvent.

Fund managers have a fiduciary responsibility to provide optimum benefits to members while keeping administrative expenses to a minimum. A fund that accumulates excessive reserves or expends large amounts for administrative expenses does not achieve its basic goal of providing optimum benefits to members. Accordingly, the trustees of the funds listed in Table XXV should evaluate how fund resources could be better utilized.

EXCEPTIONS ON FUND OPERATIONS

Certified Public Accountants hired by the benefit funds issue opinions on financial statements prepared by the funds and write management letters commenting on management practices and internal control systems of the funds, in accordance with Comptroller's Directive #12. Some management letters noted exceptions to fund operations. Our review of the funds' financial statements, the opinions and management letters submitted by the CPAs, and the booklets distributed by the funds to describe their benefits, disclosed that a number of funds did not comply with certain aspects of Directive #12 and the funds' agreements with the City.

Improper Eligibility Delay

The intent of the standard benefit fund agreements between the City and the unions is that welfare fund benefits be available during each member's entire period of employment with the City. Thus, the funds should make their members eligible for benefits, beginning on their first day of employment with the City.

Specifically, the standard fund agreements between the City and the unions state that:

> "The Union agrees to provide from the Fund for each Covered Employee the supplementary benefits described in the schedule annexed to this Agreement marked as Appendix 'C', for the period of employment with the City of each such Covered Employee during the term of this Agreement, whether or not any payment or payments made to the Union pursuant to the formula prescribed in section 2(c) of this Agreement actually included the full sum prescribed by Appendix 'B' on account of such Employee during the twenty-eight (28) day cycle for which such payment or payments are made."

However, benefit booklets distributed by some funds and telephone confirmations with fund officials revealed that the funds listed in Table XXVI, following, improperly delay eligibility for their members from 30 to 120 days.[3] Consequently, members or their dependents who may be in need of benefits during the funds' waiting periods are precluded from obtaining such benefits.

TABLE XXVI
Funds That Delay Eligibility

[3] Our analysis focused on the delay to new employees enrolled in welfare benefit funds (active) since the members of retiree funds and annuity funds qualify to receive benefits once they leave active service.

Fund Name	Days of Delay
NYC Local 246 Employee Welfare Fund	30
Local 237 Teamsters' Welfare Fund	90
Civil Service Bar Association Welfare Fund	90
District Council 37 Welfare Fund	90
Local 371 Social Service Employees Welfare Fund	90
District Council 9 Painting Industry Welfare Fund	120

Based on conversations with fund officials, the following four funds delayed eligibility during Fiscal Year 2000, but changed their policy during Fiscal Years 2001/2 and eliminated their waiting periods: Local 237 Teamsters' Welfare Fund (beginning October 1, 2000); Local 371 Social Service Employees Welfare Fund (beginning January 1, 2001); District Council 37 Welfare Fund (beginning July 1, 2001); and, Civil Service Bar Association Welfare Fund (beginning August 1, 2001). However, officials of the remaining two funds—NYC Local 246 Employee Welfare Fund and District Council 9 Painting Industry Welfare Fund—indicated that they plan to continue delaying their members' benefits. The Office of Labor Relations should take appropriate action, such as delaying the contributions made by the City to these two funds and recouping past contributions for the periods of time when City employees were not covered for benefits.

Failure to Submit Directive #12 Filings

Directive #12 requires that benefit funds prepare and annually submit various reports, documents and other materials to the Comptroller's Office no later than nine months after the close of each funds' fiscal year. For Fiscal Year 2000, four funds failed to comply with this requirement: Local 300 Civil Service Forum Welfare Fund, Local 300 Civil Service Forum Retiree Welfare Fund, Local 1183 Board of Elections Welfare Fund, and Local 1183 Board of Elections Retiree Welfare Fund.

Local 1183's failure is especially egregious since this fund was cited in our Fiscal Year 1999 Welfare Survey Report as not having submitted its Fiscal Year 1999 Directive #12 filing. In fact, as of June 14, 2002 (more than 24 months after its filing was due) Local 1183 still has not filed the Fiscal Year 1999 documents.

Funds should comply with the requirements of Directive #12 and submit their annual filings to the Comptroller's Office. If they do not comply, the Office of Labor Relations should take appropriate action.

CPA Opinions

Certified Public Accountants audit and render opinions on funds' financial statements. The Fund Agreements between the City and the unions require the preparation of each fund's financial statements on the accrual basis of accounting and in conformance with generally accepted accounting principles (GAAP). The most common opinions rendered by CPAs are as follows:

Opinion	Description
Unqualified	Financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the entity in conformity with generally accepted accounting principles.
Qualified	Except for the effects of the matter(s) to which the qualification relates, the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the entity in conformity with generally accepted accounting principles.
Adverse	Financial statements do not present fairly the financial position, results of operations, or cash flows of the entity in conformity with generally accepted accounting principles.
Disclaimer	The auditor does not express an opinion on the financial statements.

Of the 91 funds reviewed, eight received adverse opinions and six received qualified opinions because their financial statements were not in compliance with GAAP. Specifically, these 14 funds excluded post-retirement or other benefit obligations from their financial statements, as follows:

FUND	OPINION	COMMENTS
Assistant Deputy Wardens Association WF/RWF	Qualified	The Fund excluded future benefit obligations from its financial statements.
Correction Captains Association RWF	Adverse	The Fund excluded post-retirement benefit obligations from its financial statements.
Correction Officers Benevolent Association RWF	Adverse	The Fund excluded post-retirement benefit obligations from its financial statements.
Detectives Endowment Association RWF	Adverse	The Fund excluded post-retirement benefit obligations from its financial statements.
Local 1180 CWA Municipal Management RWF	Adverse	The Fund excluded post-retirement benefit obligations from its financial statements.
Local 1182 CWA Parking Enforcement Agents WF	Adverse	The Fund excluded post-retirement benefit obligations from its financial statements.
Local 211 Allied Building Inspectors WF	Qualified	The Fund excluded post-retirement benefit obligations from its financial statements.
Local 444 Sanitation Officers RWF	Qualified	The Fund excluded future benefit obligations from its financial statements.

Local 444 Sanitation Officers WF	Qualified	The Fund excluded future benefit obligations from its financial statements.
Local 806 Structural Steel Painters RWF	Adverse	The Fund excluded post-retirement benefit obligations from its financial statements.
Local 94 Uniformed Firefighters Association RWF	Qualified	The Fund excluded post-retirement benefit obligations from its financial statements.
Organization of Staff Analysts WF	Adverse	The Fund excluded post-retirement benefit obligations from its financial statements.
Professional Staff Congress CUNY WF	Qualified	The Fund excluded benefit obligations from its financial statements.
Sergeants Benevolent Association WF/RWF	Adverse	The Fund excluded post-retirement benefit obligations from its financial statements.

Under GAAP, all health and welfare benefit plans are required to include in their benefit obligations an estimate of post-retirement benefits to be provided to participants. The post-retirement benefit obligation is the actuarial present value of all future benefits attributed to services to plan participants rendered to date, based upon the plan's written provisions, assuming the plan continues in effect and all assumptions about future events are fulfilled.

Funds receiving adverse or qualified opinions should take immediate action to correct problems identified by their CPAs.

Field Audits of Funds

In addition to analyzing Directive #12 filings, the Comptroller's Office periodically performs financial and operational audits of selected funds. There were 69 audit reports issued by the Comptroller's Office during Fiscal Years 1985-2002. (These audits are listed in Appendix C at the end of the report.)

Each audit report discusses the extent to which each fund met its basic objective of providing benefits to members and identifies various areas for improvement. Often we identify weaknesses common to more than one fund. Among the more common weaknesses identified in these audits (See Appendix B for a list of common weaknesses.) were the following:

- inaccurate or unsupported basis for allocating common expenses;
- a larger percentage of revenues spent on administrative expenses compared to other funds with total revenues of a similar size;
- funds expended on questionable items;
- benefit and administrative expenses misstated in financial statements and Directive #12 filing; and,

- eligibility of members' dependents not verified.

During Fiscal Year 2002, we issued three reports. A brief summary of the findings from these audits follows:

1. Audit Report on the Financial and Operating Practices of the Communication Workers Association Local 1182 Security Benefits Fund for the Fiscal Year Ending June 30, 2000, Report #FL02-083A

The Fund generally complied with the procedures and reporting requirements of Comptroller's Directive #12, as well as with its own accounting procedures. In addition, the Fund had adequate internal controls over the processing and reporting of contributions received and of benefit and administrative expenses paid. However, there were some weaknesses in the Fund's financial and operating practices. Specifically, the audit noted that:

- <u>The Fund spent a larger percentage of its revenues on administrative expenses compared to other funds with total revenues of a similar size.</u> During Fiscal Year 2000, the Fund spent 14.75 percent of its total revenue on administrative expenses, while similarly-sized funds spent an average of just 7.69 percent. Administrative costs should be kept to a minimum since the Fund's objective is to provide benefits to its members.

- <u>The Fund slightly misstated benefit and administrative expenses on its financial statements and its Directive #12 filing.</u> The Fund's Directive #12 filing for Fiscal Year 2000 did not accurately report benefit and administrative expenses. Administrative expenses were understated by $19,655, or six percent of total reported administrative expenses, and benefit expenses were overstated by the same amount, or one percent of total reported benefit expenses.

- <u>The Fund had $6,874 in questionable expenses.</u> The Fund made inappropriate payments to a Trustee and to the Fund Administrator, and paid Christmas bonuses to its employees.

- <u>The Union owes the Fund $11,327.</u> The amount owed pertains to rent, postage, and insurance expenses that should have been paid by the Union.

- <u>The Fund did not properly allocate rent charges for office space shared by the Union and the Fund.</u> For Fiscal Years 1999 through 2001, the Fund paid $21,120 in rent that should have been charged to the Union.

- <u>The Fund does not maintain adequate control over its timekeeping function.</u> The Fund does not require its employees to record daily attendance. Lack of such procedures prevents the Fund from ensuring that Fund employees were paid only for hours actually worked.

In her response, the Fund Administrator did not specifically address the recommendations. However, the Fund Administrator stated that she did not agree that the Fund spent a larger percentage of its revenues on administrative expenses compared to other funds, that the Fund had questionable expenses totaling $6,874, that the Fund paid a disproportionate share of the rent, and that the Fund should maintain sign-in/sign-out records for employees. The Fund Administrator stated, however, that measures have been taken to collect the remaining amount owed by the Union, and that administrative and benefit expenses will be accurately reported on the Fund's financial statements and Directive #12 filings in the future.

2. Audit Report on the Financial and Operating Practices of the Detectives Endowment Association Health Benefits Fund (Active Employees) for Calendar Year 1999, Report # FL02-085A

The Active Fund generally complied with the procedures and reporting requirements of Comptroller's Directive #12, as well as with its own accounting procedures. In addition, the Active Fund had adequate internal controls over the processing and reporting of contributions received and benefit and administrative expenses paid. However, the audit noted that:

- The Active Fund made improper benefit payments totaling $10,146. For example, the Active Fund paid $3,653 for rehabilitation and detox services and $3,619 for infant formula. However, such payments are not covered by the Fund's benefits package.

- The Active Fund paid the Union $17,878 for its share of certain expenses, but those expenses were either undocumented, questionable, or not related to Active Fund business. Some of the Active Fund's administrative expenses are allocated between the Union, the Active Fund, the Retiree Fund, and the Annuity Fund. During 1999, the Union allocated expenses totaling $228,287 of which the Active Fund paid 20 percent or $45,657. However, the Union did not document $45,393 of its expenses, it made questionable payments totaling $16,330, and it included in the allocated amount $27,670 in expenses not related to Active Fund business. Consequently, $89,393 of the $228,287 in allocated expenses resulted in an excess payment of $17,878 by the Active Fund.

- The Active Fund paid $3,951 in bonuses to Active Fund employees. Directive #12 states that funds should ensure that City contributions are spent appropriately by restricting their contributions to expenditures and programs that directly or indirectly benefit only fund members. This type of expense does not conform to Directive #12.

- The Active Fund did not verify the eligibility of members' dependents. The Active Fund does not require its members to submit records, such as marriage or birth certificates, documenting the eligibility of their dependents. Lack of such documentation prevents the Active Fund from ensuring that benefits are provided only to eligible individuals.

- The Active Fund does not maintain adequate control over its timekeeping function. The Active Fund does not require its employees to record daily attendance. Lack of such procedures prevent the Active Fund from ensuring that Active Fund employees were paid for only hours actually worked.

In her response, the Fund Manager did not specifically address our recommendations to follow Fund benefit guidelines, to recoup overpayments from the Union, and to ensure that the Fund pays only for expenses related to Fund business. The Fund Manager stated that a Trustee approved the exceptions to the Fund's benefits policies, and that although the Fund may have paid for certain expenses that were questioned by the audit, "the overall allocation methodology . . .results in a very inexpensive office." In addition, the Fund stated that it believes that paying bonuses to employees is appropriate and that daily attendance records are not necessary. The Fund stated, however, that it is obtaining information on members' dependents and spouses, as recommended in the report.

3. Audit Report on the Financial and Operating Practices of the Detectives Endowment Association Health Benefits Fund (Retirees) for Calendar Year 1999, Report, # FL02-086A

The Retiree Fund generally complied with the procedures and reporting requirements of Comptroller's Directive #12, as well as with its own accounting procedures. In addition, the Retiree Fund had adequate internal controls over the processing and reporting of contributions received and benefit and administrative expenses paid. However, the audit noted that:

- The Retiree Fund made improper benefit payments totaling $953. These payments included $158 for optical services not provided and a catastrophic claim that exceeded Retiree Fund guidelines.

- The Retiree Fund paid the Union $17,878 for its share of undocumented and questionable expenses or for expenses not related to Retiree Fund business. Some of the Retiree Fund's administrative expenses are allocated among the Union, the Retiree Fund, the Active Fund, and the Annuity Fund. During calendar year 1999, the Union allocated expenses totaling $228,287, of which the Retiree Fund paid 20 percent, or $45,657. However, the Union did not document $45,393 of its expenses, it made questionable payments totaling $16,330, and it included in the allocated amount $27,670 in expenses not related to Retiree Fund business. Consequently, $89,393 of the $228,287 in allocated expenses resulted in an excess payment of $17,878 by the Retiree Fund.

- The Retiree Fund did not verify the eligibility of members' dependents. The Retiree Fund does not require that its members submit records, such as marriage or birth certificates, that document the eligibility of their dependents. Lack of such documentation prevents the Retiree Fund from ensuring that benefits are provided only to eligible individuals.

- The Retiree Fund does not maintain adequate control over its timekeeping function. The Retiree Fund does not require its employees to record daily attendance. Lack of such procedures prevents the Retiree Fund from ensuring that Retiree Fund employees were paid for only hours actually worked.

In her response, the Fund Manager did not specifically address our recommendations to follow Fund benefit guidelines, to recoup overpayments from the Union, and to ensure that the Fund pays only for expenses related to Fund business. However, she agreed that two of the 17 claims cited in the report were paid in error. The Fund Manager further stated that the Fund would receive a credit from its health insurance company for six claims if the individuals were found to be ineligible. She also stated that the Fund found documentation supporting seven of the nine remaining claims cited in the report. In addition, she stated that although the Fund may have paid for certain expenses that were questioned by the audit, "the overall allocation methodology . . .results in a very inexpensive office." The Fund Manager also stated that she believes that daily attendance records are not necessary. Finally, the Fund Manager stated that the Fund is obtaining information on members' dependents and spouses, as recommended in the report.

CONCLUSIONS AND RECOMMENDATIONS

Administrative and Benefit Expenses

There continues to be a variance in administrative expenses as a percentage of total revenue for funds in each revenue category, with some funds spending more than twice the average of similarly-sized funds. Concurrently, some funds spend a significantly lower percentage of their revenue on benefits compared to other funds.

Recommendations

1. Trustees of funds with high percentages of administrative expenses to total revenue and/or low percentages of benefit expenses to total revenue should reduce administrative expenses and increase benefits to members.

2. Trustees of funds using the same professional service providers for similar services should consider jointly negotiating future contracts with these providers to reduce administrative expenses through economies of scale.

3. Trustees of funds that insure some or all of their benefits should solicit competitive proposals from insurance companies.

Reserves

Several funds have incurred operating deficits and maintain very low levels of reserves, which may indicate potential future solvency problems. Other funds continue to maintain extremely high levels of reserves.

Recommendations

4. Trustees of funds with low reserve levels should take appropriate action to ensure that their funds always maintain sufficient reserves against insolvency.

5. Trustees of funds that incur significant operating deficits, particularly those with low reserve levels, should ensure that benefit and administrative expenses do not exceed

projected total revenue.

6. Trustees of funds with high reserve levels, particularly those whose funds spend less than average amounts of their revenue on benefits, should consider enhancing their members' benefits, while maintaining adequate reserves.

Exceptions on Fund Operations

As in previous years, we identified various funds that do not comply with all aspects of their unions' agreements with the City and with Comptroller's Directive #12.

Recommendations

7. Trustees of funds that delay members' eligibility for benefits beyond their first day of employment should revise their fund's policy to comply with their union's welfare fund agreement with the City.

8. Trustees of funds that fail to submit their Directive #12 filings should take immediate action to submit them on time.

9. OLR should take appropriate action regarding those funds listed in this report that did not submit their Directive #12 filings to the Comptroller's Office.

10. OLR should use the information in this report to ensure that the trustees of the funds cited herein correct the noted exceptions.

11. OLR should recover the portion of City contributions from those funds that do not provide benefits to members from their first day of employment. It should be noted that this recommendation was made in our six previous reports (FM01-072A, FM00-070A, FM99-057A, FM98-058, FM96-185A, and FM95-190A).