



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON EXAMINATION
OF THE
SYOSSET TEACHERS ASSOCIATION TRUST FUND

CONDITION: JUNE 30, 2011

DATE OF REPORT: MAY 3, 2013

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EXAMINER:

SHARON REYNOLDS

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

March 7, 2017

Honorable Maria T. Vullo
Superintendent of Financial Services
New York, New York 10004

Madam:

Pursuant to instructions contained in Appointment No. 30822, dated October 16, 2012 and annexed hereto, an examination has been made of the condition and affairs of the Syosset Teachers Association Trust Fund hereinafter referred to as “the Fund,” at the principal office of the Fund, located at H.B. Thompson Middle School, 98 Ann Drive, Syosset, NY 11791.

Wherever “Department” appears in this report, it refers to the New York State Department of Financial Services.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The examiner's review of a sample of transactions did not reveal any differences which materially affected the Fund's financial condition as presented in its financial statements contained in the June 30, 2011 filed annual statement. (See item 4 of this report)

The Examiner recommends that the Fund comply with its own Trust Agreement by meeting at least quarterly, each year. (See item 3A of this report)

The Fund violated Section 4414(d) of the New York Insurance Law by not maintaining the minutes of the board of trustee meetings for the entire exam period and documentation to support the payment of all expenses, for a period of at least six years from the date of making the same. (See item 7 of this report)

The examiner's review of the Fund's market conduct activities did not reveal significant instances which deviated from the New York Insurance Law, Department regulations and circular letters and the operating rules of the Fund. (See item 6 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of June 30, 2006. This examination covers the period from July 1, 2006 through June 30, 2011. As necessary, the examiner reviewed transactions occurring subsequent to June 30, 2011 but prior to the date of this report (i.e., the completion date of the examination).

This examination comprised a verification of the Fund's assets and liabilities as of June 30, 2011 to determine whether the Fund's filed June 30, 2011 annual statement fairly presents its financial condition. The examiner reviewed the Fund's income and disbursements necessary to accomplish such verification and utilized examination procedures, as deemed appropriate, in such review and in the review or audit of the following matters:

- Fund history
- Management and control
- Fund records
- Member benefits and contributions
- Market conduct activities
- Growth of Fund
- Accounts and records
- Financial statements

The examiner reviewed the prior report on examination which did not contain any violations, recommendations or comments.

This report on examination is confined to financial statements and comments on those matters which involve departures from laws, regulations or rules or which require explanation or description.

3. DESCRIPTION OF FUND

The Fund was established on November 12, 1975 pursuant to a collective bargaining agreement and a declaration of trust (“Trust Agreement”) between the Board of Education, Syosset Central School District, of the Town of Oyster Bay, Nassau County (“Employer”) and the Syosset Teachers Association (“Union”). The Trust Agreement provides that the purpose of the Fund is to provide a program of supplementary benefits to all members of the Union.

The June 30, 2011 annual statement indicated that there were approximately 726 active participants.

A. Management

The Trust Agreement requires that the board of trustees shall be comprised of six trustees, two appointed by the Employer, and four appointed by the Union. The following is a list of the trustees as well as their principal business affiliation, as of June 30, 2011.

<u>Appointed by the Employer</u>		
<u>Name</u>	<u>Principal Business Affiliation</u>	<u>Year First Appointed</u>
Angela Eisert	Assistant Superintendent for Business, Syosset Central School District	2006
Jeffrey Streitman	Deputy Superintendent of Schools, Syosset Central School District	1993
<u>Appointed by the Union</u>		
<u>Name</u>	<u>Principal Business Affiliation</u>	<u>Year First Appointed</u>
Marcia Gould	Teacher	1996
Richard Lesse	Teacher	1986
Kim Pritchard	Vice President, Syosset Teachers Association, Syosset Central School District	2006
Jeffrey Rozran	President, Syosset Teachers Association, Syosset Central School District	1995

The Trust Agreement states that Trustee meetings will be held as often as deemed necessary but at least four times each year and at least once during each calendar quarter. The Fund did not meet at least quarterly each year.

The Examiner recommends that the Fund comply with its own Trust Agreement by meeting at least quarterly, each year.

B. Investment Powers of the Trustees

The Trust Agreement empowers the trustees to invest in such investments that are legal for investments of trust funds under the laws of the State of New York.

As of June 30, 2011, the Fund's assets were mainly comprised of bank deposits at interest (76%), cash (18%) and government bonds (6%).

C. Member Benefits

The Fund provides supplemental excess major medical coverage for its members in excess of the benefits payable by the primary major medical carrier. This supplemental benefit is provided through an insurance contract with First Rehabilitation Life Insurance Company of America. The Fund also provides self-insured benefits to members and their eligible dependents.

The following is a listing of benefits provided by the Fund:

<u>Insured Benefit</u>	<u>Coverage</u>
Excess major medical	<ul style="list-style-type: none"> a. \$1,000,000 umbrella, premium fully paid by the Fund, for those members who elect to participate. b. Vision care – maximum per schedule paid once every two years.
<u>Self-insured Benefit</u>	<u>Coverage</u>
Medical expense reimbursement	<p>One cash reimbursement each school year for certain unreimbursed medical expenses such as dental and health insurance deductibles and premiums, other dental and health costs, medication costs, eyeglasses, and certain legal fees, as follows:</p> <ul style="list-style-type: none"> \$240 maximum annual benefit for members who are not eligible and who do not participate in the excess major medical plan; \$225 maximum annual benefit for members who participate in the individual excess major medical plan; \$205 maximum annual benefit for members who participate in the family excess major medical plan.
In-hospital indemnity	\$10 per day for a maximum of 10 days each school year.

<u>Self-insured Benefit</u>	<u>Coverage</u>
Vision care	Examination, lenses and frames at substantial discounts from Optics Plus Opticians, Woodbury Commons, New York.
Employee assistance	Confidential counseling and referral service.

D. Contributions

The collective bargaining agreements for the period under review called for the following annual contribution rates per year:

<u>Year</u>	<u>Amount</u>
2007	\$225,000
2008	\$225,000
2009	\$225,000
2010	\$225,000
2011	\$225,000

E. Information to Members

The Fund's records indicate that annual reports are distributed to all members by providing copies to each school representative who in turn distributes them to each member at their schools. Benefit booklets describing the Fund's benefits, procedures and eligibility requirements are given to all members.

4. FINANCIAL STATEMENTS

The following statements indicate the changes in assets, liabilities and reserve fund balance between the years ended June 30, 2006 and June 30, 2011, changes in the reserve fund balance for the period under examination, and a reconciliation of the reserve fund balance for each of the years under examination as extracted from the Fund's filed annual statements. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Fund's financial condition as presented in its financial statements contained in the June 30, 2011 filed annual statement.

A. STATEMENT OF ASSETS, LIABILITIES AND RESERVE FUND BALANCE

The following table indicates the Fund's financial growth during the period under review:

	<u>June 30,</u> <u>2006</u>	<u>June 30,</u> <u>2011</u>	<u>Increase</u>
<u>Assets</u>			
Cash	\$ 22,087	\$149,827	\$127,740
Bank deposit at interest	381,057	625,562	244,505
Government bonds	<u>45,305</u>	<u>48,375</u>	<u>3,070</u>
Total assets	<u>\$448,449</u>	<u>\$823,764</u>	<u>\$375,315</u>
<u>Liabilities and reserve fund balance</u>			
Total liabilities and reserve fund balance	<u>\$448,449</u>	<u>\$823,764</u>	<u>\$375,315</u>

B. STATEMENT OF CHANGES IN RESERVE FUND BALANCE

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>Additions to fund balance:</u>					
Employer contributions	\$225,000	\$225,000	\$225,000	\$225,000	\$225,000
Investment income	<u>23,808</u>	<u>28,882</u>	<u>20,422</u>	<u>10,796</u>	<u>7,893</u>
Total additions	<u>\$248,808</u>	<u>\$253,882</u>	<u>\$245,422</u>	<u>\$235,796</u>	<u>\$232,893</u>
<u>Deductions from fund balance:</u>					
Insurance and annuity premiums to insurance carriers	\$ 27,532	\$ 5,804	\$ 30,551	\$ 25,511	\$ 14,886
Benefits paid directly by the Fund	114,095	114,800	118,060	104,865	125,900
Premiums paid to service organizations	17,208	8,604	25,812	17,208	8,604
Administrative expenses	<u>14,956</u>	<u>17,637</u>	<u>15,654</u>	<u>16,320</u>	<u>17,478</u>
Total deductions	<u>\$173,791</u>	<u>\$146,845</u>	<u>\$190,077</u>	<u>\$163,904</u>	<u>\$166,868</u>
Net increase (decrease) in fund balance	<u>\$ 75,017</u>	<u>\$107,037</u>	<u>\$ 55,345</u>	<u>\$ 71,890</u>	<u>\$ 66,025</u>

C. RECONCILIATION OF RESERVE FUND BALANCE

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Reserve fund balance, December 31, previous year	<u>\$448,449</u>	<u>\$523,466</u>	<u>\$630,504</u>	<u>\$685,849</u>	<u>\$757,739</u>
Total additions during year	\$248,808	\$253,882	\$245,422	\$235,796	\$232,893
Total deductions during year	<u>173,791</u>	<u>146,845</u>	<u>190,077</u>	<u>163,905</u>	<u>166,868</u>
Change in fund balance	<u>\$ 75,017</u>	<u>\$107,037</u>	<u>\$ 55,345</u>	<u>\$ 71,890</u>	<u>\$ 66,025</u>
Reserve fund balance, December 31, current year	<u>\$523,466</u>	<u>\$630,503</u>	<u>\$685,849</u>	<u>\$757,739</u>	<u>\$823,764</u>

5. ADMINISTRATIVE EXPENSES

The following table shows a breakdown of the administrative expenses for the fiscal year ending June 30, 2011:

Administrative Expenses

Fees and commissions	\$14,980
Stationary, printing and office supplies	1,826
Bank fees	<u>672</u>
 Total administrative expenses	 <u>\$17,478</u>

The following schedule shows the number of members, contributions, administrative expenses, the ratio of administrative expenses to contributions, and the administrative cost per member for the period under review:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Number of members	968	877	770	997	726
Contributions	\$225,000	\$225,000	\$225,000	\$225,000	\$225,000
Administrative expenses	\$14,956	\$17,637	\$15,654	\$16,320	\$17,478
Ratio of administrative expenses to contributions	6.65%	7.84%	6.96%	7.25%	7.77%
Administrative cost per member	\$15.45	\$20.11	\$20.33	\$16.37	\$24.07

6. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Fund's market conduct activities affecting claimants to determine compliance with applicable statutes and regulations and the operating rules of the Fund.

The examiner reviewed a sample of self-insured claims for medical reimbursement and in-hospital benefits to determine whether the members were treated fairly and in accordance with plan benefits.

Based upon the sample reviewed, no significant findings were noted.

7. RECORD KEEPING

Section 4414(d) of the New York Insurance Law states:

“The trustees of every employee welfare fund shall preserve all its records of final entry and all reports and statements required by this article and the regulations issued under it for a period of at least six years from the date of making the same. Preservation of photographic reproduction of records or records in photographic form shall constitute compliance with this subsection.”

The examination was conducted at the office of the Fund's certified public accountant. The accountant maintains the books of account and certain other records related to the operations of the Fund and prepares the Fund's annual statement. During the examination, some of the documents necessary for the examination of the Fund were not available. The Fund was unable to provide the following documents:

- (1) The minutes of the board of trustees meetings for 2007, 2008, 2009, 2010 and 2011;
- (2) Documentation to support the payment of all expenses.

The Fund violated Section 4414(d) of the New York Insurance Law by not maintaining the minutes of the board of trustee meetings for the entire exam period and documentation to support the payment of all expenses, for a period of at least six years from the date of making the same.

8. SUMMARY AND CONCLUSIONS

Following are the violation and recommendation contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The examiner recommends that the Fund comply with its own Trust Agreement by meeting at least quarterly, each year.	5
B	The Fund violated Section 4414(d) of the New York Insurance Law by not maintaining the minutes of the board of trustee meetings for the entire exam period and documentation to support the payment of all expenses, for a period of at least six years from the date of making the same.	12

Respectfully submitted,

/s/
Sharon Reynolds
Senior Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

Sharon Reynolds being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

/s/
Sharon Reynolds

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 30822

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, BENJAMIN M. LAWSKY, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

SHARON REYNOLDS

as a proper person to examine the affairs of the

SYOSSET TEACHERS ASSOCIATION TRUST FUND

and to make a report to me in writing of the condition of said

WELFARE FUND

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name
and affixed the official Seal of the Department
at the City of New York

this 16th day of October, 2012

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:



MICHAEL MAFFEI
ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU

