



April 14, 2005

Mr. Bruce McIver  
Co-Chair, Board of Trustees  
President, League of Voluntary Hospitals & Homes of New York  
555 W. 57<sup>th</sup> Street  
New York, New York 10019

Mr. Dennis Rivera  
Co-Chair, Board of Trustees  
President, 1199SEIU Health & Human Services Union  
310 W. 43<sup>rd</sup> Street  
New York, New York 10036

Dear Messrs. McIver and Rivera:

Taking care of those who care for the patients in our hospitals is a responsibility we take very seriously. We recognize the direct relationship between improving the health and lives of 1199SEIU members and employees and the quality of care and services that are delivered.

Therefore, we collectively strive to ensure good health, peace of mind in retirement, new citizenship, affordable housing, childcare programs and keeping our talent within the industry through training, upgrading and job security.

With this mission as our driving force, we are pleased to present you with the highlights of an especially productive 2004 from our 1199SEIU Family of Funds.

Funding for these benefits and programs was made possible through a series of cost-saving initiatives and pension fund and other fund diversions, as agreed to in the 2004 collective bargaining agreement (CBA), in addition to grants, that supplemented employer contributions. Please find a summary of our financial statements at the end of our highlights.

Sincerely,

Mitra Behroozi  
Executive Director  
1199SEIU National  
Benefit & Pension Funds

Deborah King  
Executive Director  
1199SEIU Employment,  
Training & Job Security Program

Carol Joyner  
Executive Director  
1199SEIU Child Care Fund

330 WEST 42ND STREET, NEW YORK, NY 10036

## 1199SEIU Family of Funds

### The Year in Review – 2004

#### *I. 1199SEIU NATIONAL BENEFIT AND PENSION FUNDS*

In 2004, the Fund undertook major organizational restructuring and instituted new policies to better serve the membership. Simultaneously, the Fund aggressively pursued cost-saving initiatives to preserve benefit dollars and maintain employer contributions at current levels. Through these initiatives, the Fund saved millions of dollars, safeguarded benefits, improved efficiency and accountability to the Trustees and enhanced membership satisfaction.

**Cost Containment Initiatives.** With escalating health care costs, labor and management trustees directed the National Benefit Fund to contain costs under the collective bargaining agreement reached in May of 2004. The agreement was specific about what cost-saving initiatives should be pursued. Working under these parameters, the Fund searched for and implemented these initiatives, while maintaining quality of services. These initiatives which are projected **to save the Fund \$25 million annually** include:

- A single vendor (LabCorp) for all laboratory work other than performed in Member Choice institutions;
- A single radiology vendor (MedFocus) for X-rays, Cat scans and other imaging services; and
- Enrolling retirees who live in New York City into a new Medicare HMO (HIP).

The estimated yearly savings by program are significant - LabCorp (\$9 million); MedFocus (\$5 million); and HIP HMO (\$11 million).

Of particular note is that more than 13,000 retirees have now transitioned into the HIP program, which will save vital dollars while offering our retirees expanded benefits such as dental coverage. A recent phone survey of retirees in the program shows that over 85% are using their new HIP benefits and are happy with the change.

**Controlling Out-of-Control Drug Costs.** The collective bargaining agreement also directed the Fund to control spiraling prescription drug costs and introduce a mail order program for maintenance medications. In 2004, the Fund found a new pharmacy benefit manager – Medco. The Fund negotiated excellent rates and created *The 90-Day Rx Solution* – our maintenance drug access program – to deliver 90-day supplies of maintenance medication directly to the members through mail order. Preliminary estimates show that these drug benefit changes will save the Fund **an additional \$20 million annually**. During this time, the Fund and Medco also created the Rite Aid Option in an effort to address member concerns. This option will allow members to order and pick up their 90-day supplies at a New York or New Jersey Rite Aid.

**Engaging Members in the Challenge.** Because these initiatives can only succeed with the active participation of our members, the Fund launched a major educational campaign with enhanced communications to reach out to nearly 200,000 members. Communications sought to engage members about the importance of these cost containment programs and what steps they must personally take to help meet the challenge.

**Enhanced 1199SEIU Member and Employer Outreach.** In past years, Fund outreach to members was largely an ad hoc operation devoted to trouble shooting. But now the Fund's Outreach Department has placed one outreach worker in 34 distinct geographic/industry areas. In 2004, Benefit Outreach Coordinators worked with members to resolve billing conflicts, access their benefits and educate them about cost saving initiatives. They also began meeting with Union Officers, Organizers, Delegates and HR personnel to begin institutionalizing their services.

Member Services were greatly enhanced by the addition or expansion of facilities in Brooklyn, the Bronx, Westbury (Nassau) and White Plains (Westchester). We are currently establishing a centrally located office in Queens.

**Care Management Program.** The Care Management Program expanded in 2004, and actively worked with health care providers to assess, plan, coordinate and monitor options and services needed for ongoing treatment from severe illnesses and injuries. This included a new Joint Replacement Program instituted in July. Planning for appropriate care is a critical component of our cost containment effort.

**Holding the Line on Delinquencies.** Sadly, the precarious financial health of some of our institutions brought a number of institutions to the brink of going under. For the Fund, a top priority in 2004 was holding the line on delinquencies and working to ensure that our institutions made their required contributions in a timely fashion, while working with distressed facilities to develop realistic payment plans.

The good news is that *all institutions that were in arrears in payments a year ago are now on strict payment schedules and the Fund collected \$2.8 million in interest from delinquent employers.* The Fund's aggressive steps have cut delinquencies in half and in a rare, but drastic, step terminated benefits to one seriously delinquent employer.

**1199SEIU Pension Fund's Fiscal Health.** The Pension Fund is in especially good health. By the end of 2004, *our assets grew to some \$7.2 billion*, due in large part to a 13.3 percent return on investments. The Pension Fund continues to rank in the top quartile of Taft-Hartley plans, with double-digit returns for all of our pension plans.

**Promoting Wellness Saves Lives and Dollars.** The Worksite Wellness program expanded its health fair model to educate members on nutrition, women and men's health, occupational health, and the scheduling of mammograms at the facility. 1,785 members were screened for hypertension, diabetes, and high cholesterol at 13 fairs in 1199SEIU institutions across New York City. Members already diagnosed with these conditions met regularly with Fund staff at their worksites to learn to manage their disease.

**Higher Standards, Better Accountability.** An ongoing review of internal and external controls led to the establishment of additional controls to protect Fund assets. Our employees received training in new policies that stress their shared responsibilities in preventing and reporting any suspected abuses. The Trustees adopted a Fund-Wide fraud reporting policy and Code of Ethics establishing guidelines for avoiding conflicts of interest.

The Fund also created a new position for a Director of Fraud and Abuse to evaluate physician billing practices. Over \$1 million in fraudulent claims has been recovered. A Fraud and Abuse phone hotline was also created for members and staff to report any suspicious activity and deter future false claims.

**Benefits Beyond Health Balance Members' Lives - Citizenship, Home Mortgage, and Youth Programs.** Other factors that lead to stress affect members' health and their work. The NBF continued to promote programs that helped members build better lives.

- The 1199SEIU Citizenship Program, jointly administered by the NBF and Training and Upgrading Fund, continued to assist members in becoming U.S. citizens. 531 1199SEIU members became new citizens through the program.
- The 1199SEIU Home Mortgage program helped members access low interest mortgages, repair their credit, refinance and obtain home insurance for their primary homes through seminars and one-on-one counseling. The program conducted 34 seminars, counseled 1,269 members and helped 162 members secure loans.
- 980 1199SEIU children enjoyed an overnight summer camp experience and 585 teenagers in twenty-nine institutions learned important job skills by working at 1199SEIU institutions through the Youth Mentoring Program. Our scholarship program provided 2,690 students pursuing a college education with a critical financial assistance.

**Retired Members Get Active.** The Retired Members Division (RMD) launched three new chapters in Brooklyn, Orlando, and South Carolina to serve and engage more of our 33,000 retirees in New York, Florida and the Carolinas. Another three New York City chapters will be added in 2005. The RMD also sponsored the first ever "Protecting Retiree Benefits" conference in June, attended by over 1,000 New York City retirees.

## ***2. 1199SEIU EMPLOYMENT, TRAINING AND JOB SECURITY FUNDS (ETJSP)***

Once again, in 2004, we proved that investing in training and union/management collaboration greatly benefited 1199SEIU members, our institutions and the industry. Through our innovative programs, we were able to fill positions in key shortage areas, upscale the workforce, provide a safety net for laid off workers, and improve patient care and work processes.

**Training and Upgrading Fund (TUF).** Last year was exceptional. We raised more money, trained more workers and responded to industry needs more than ever before. In 2004, the Fund:

- Directed \$50 million worth of programs and trained 40,000 members, including 6,000 nurses, in more than 100 types of programs through Federal Waiver (CHCCDP) and HCRA grants.
- Demonstrated that we represent a major source of qualified, culturally diverse personnel. Consequently, hundreds of the members that we trained helped fill needs in shortage areas. In fact, a recent study found that over the past five years, 26 percent of all CUNY nursing graduates were 1199SEIU members and our members now comprise more than 20 percent of all CUNY graduates in the health professions.
- Enrolled 500 members in our release-time nursing programs, all of whom successfully passed the NCLEX, the nurse-licensing exam.
- Helped over 3,000 professional and technical members stay abreast of cutting edge developments by providing continuing education credits with no out-of-pocket costs through the Fund's new Institute of Continuing Education (ICE). By making the program easily accessible to members through web-casting, participation increased in these programs by more than 19 percent over 2003.

Finally, to better serve our industry and accommodate increased demand for our programs, the Fund expanded our sites and services. In cooperation with Staten Island University Hospital, we opened a new Staten Island facility for members. We also expanded services at the White Plains site and opened facilities in Albany and Syracuse.

**1199SEIU — Serving a Culturally Diverse Patient Population.** In response to the growing need for hospital staff to meet the language and cultural needs of its patients, the TUF:

- Provided tailored made Foreign Language Programs, developed by the TUF and the CUNY Graduate School, and piloted at Beth Israel and St. Luke's/Roosevelt Medical Centers, to meet the National Standards for Culturally and Linguistically Appropriate Services (CLAS) in Health Care.
- Hosted one of the very first conferences on CLAS standards for the industry.
- Increased participation of Latino members from 10 to 20% in TUF training programs.
- Prepared and fast-tracked foreign doctors and nurses to become registered nurses in this country.

**Leveraging Additional Funding.** In recognition of our achievements, the Fund received a \$200,000 federal grant for a pre-LPN program, was awarded \$100,000 in seed money by the Marty Silverman Foundation to encourage and support members' children in nursing careers, and received \$1,000,000 in new funding from the New York City Workforce Investment Board.

**Job Security Fund (JSF).** Last year the JSF, one of our most successful programs, celebrated its tenth anniversary. Since its inception, JSF helped eighty-two percent of all members serviced to return to the industry. (Other members moved away, returned to school, retired, or went into other industries.)

Yet, last year was difficult for our industry. For the first time, we saw major downsizing and the closing of several major institutions – Beth Israel North, St. Agnes, and St. Joseph’s of CMC – but the Job Security Fund provided affected workers with a financial safety net, as well as the opportunity for re-employment in our industry.

Additionally, the JSF in partnership with the TUF responded to industry crises using creative approaches. At Jamaica Hospital, for instance, federal waiver funds were used in partnership with the Union and Management to save 60 jobs by retraining the workers in medical billing and “fast-tracking” individuals enrolled in education programs in shortage areas.

**1199SEIU Employment Center (EC).** Because of our in-depth understanding of our employers’ needs, the EC has been able to identify and refer qualified members for open positions in 1199SEIU institutions. Due to our success rate, the percentage of these placements has steadily increased. In 2004:

- Thirty percent of all service and entry-level clerical positions in our institutions were filled through the EC;
- Overall, the Fund filled 23 percent of all targeted positions; and
- Fifty percent of all our referrals were hired.

As we continue in our goal to be the Employment Center of choice for the industry, we extended Employment Center services to the Bronx, Brooklyn and Staten Island sites in order to better serve our institutions and to recruit more candidates from all boroughs.

**P&P Labor Management Project (LMP).** In addition to local institution based projects, in many hospitals (including St. Vincent’s Manhattan, New York Presbyterian, Mount Sinai, Montefiore Medical Center, Long Island Jewish/North Shore, etc. and over 40 nursing homes), the LMP also launched system-wide joint labor-management projects. More than 40 nursing home representatives and 1,600 participants attended Quality Care Committee conferences to address staffing, care and labor-management issues at nursing homes. Locally, the Labor Management Project coordinated a transnational union-management conference for representatives from 10 hospitals and international leaders in the field, and we brought together 80 senior Union officers and hospital executives to discuss achieving patient/employee satisfaction.

**In Defense of Our Industry.** Through the P&P Fund’s joint labor-management initiative, the 1199SEIU & GNYHA Healthcare Education Project spent \$2 million in defense of our industry. The Project developed grassroots support for a proposed Healthcare Equity & Access Law (HEAL) to stabilize New York’s health care system and further expand access to coverage for uninsured New Yorkers. In a difficult funding climate and against organized opposition, the Project prepared to defend the Health Care Reform Act (HCRA), which is up for renewal in 2005. Preparations included research, planning and preliminary negotiations with elected officials.

**1199SEIU RN Training and Job Security Fund.** Approximately 3,000 RNs participated in our various programs. Some 1,500 RNs enrolled in nurse training programs, gaining necessary skills to either further enhance their current careers or to work in areas outside of their current experience (i.e. training Med/Surg RNs in Critical Care). Another 600 RNs attended professional seminars and conferences for certification by national accrediting bodies.

In addition, more than 300 RNs enrolled in nursing degree programs (BSN, MSN) in various CUNY and SUNY colleges and 250 RNs attended Fund-sponsored programs in Basic, Advanced and Pediatric Advanced Cardiac Life Support, Infection Control and Child Abuse.

**Increasing Retention of RNs.** A collaboration between the industry and 1199SEIU RNs led to five new citywide nurse staffing and retention initiatives. These new programs used interest-based problem solving to identify areas to address, including the use of flex time, quality performance improvement, leadership development, team self-scheduling and relationship-building. Programs in all areas were launched in 2004. In addition, to recognize and encourage outstanding service in the field, the Fund hosted the first annual Nurse of Distinction Awards Ceremony.

### ***3. 1199SEIU CHILD CARE FUND (CCF)***

Last year the Child Care Fund continued to experience growth in both registration and utilization. Our program areas continued to develop, and new ones were added, as we continue to build upon the work of the prior year.

**Members served in 2004.** Through maximizing resources and expanding outreach efforts, the CCF served more members in 2004 than it did in any other year. Of the 28,003 requests, the Fund granted 12,377 benefits (44 percent) and a total of 11,502 children received programs and services.

- **Early Childhood and School Aged Children**

The Child Care Resource and Referral department processed 5,275 after school and day care vouchers, the 1199SEIU Future of America Learning Centers (FALC), cared for 210 children from six months-to-five years of age. In addition, through a NYS-funded TANF grant, healthcare workers received reimbursements for childcare for 1,397 children.

- **School Breaks**

Summer Day Camp programs and vouchers provided a full day of activities for 3,434 children. Cultural Arts and Holiday programs accommodated 745 children during Saturdays and Holidays.

- **Teens**

WorkForce 2000 helped 256 students prepare for college and provided stipends to students employed at summer internships.

The Fund also assisted 75 high school students with preparation for SAT's.

**Three-Year Strategic Plan.** In 2004, CCF trustees, staff and 1199SEIU members met to determine the programmatic vision and administrative direction of the Fund for the next three years. Interviews, surveys and focus groups with parents found high satisfaction ratings for our programs and operations. Since organizational restructuring is not needed, the Fund used the plan to clarify goals and objectives for the future.

The goal of the new plan is to better accommodate the growing number of members who apply for CCF benefits and to strengthen our programs. The plan identified several ways to achieve these goals. In 2004, the preparation and work began on a number of these components:

- **Increase Child Care Voucher Allowance**  
Since its inception, the CCF maintained the same voucher reimbursement levels, while child care costs continued to rise each year. Consequently, the Fund agreed to increase the voucher amount parents are eligible to receive and expects to adjust the scale in the second half of 2005.
- **Establish More Early Development Learning Centers For 1199SEIU Children**  
The Fund's ongoing success with both 1199SEIU FALC's in the Bronx will be replicated in Brooklyn and Queens. The three-year plan calls for developing two new Centers to contribute to 1199SEIU members' and community members' need for high quality child care.
- **Strengthen Programs with our Service Providers**  
The CCF depends on community organizations to provide programs and services to 1199SEIU parents and children. Due to the volume of placements, the Fund works closely with our Service Providers, (Providers) to ensure the highest quality of care for our members' children. In 2004, the Fund evaluated our key Providers, including over 300 summer day camp surveys from members, two focus groups and 45 camp-site visits. Based upon the findings, we worked closely with our Providers on quality programming matters that improve summer day camp, Universal Pre-K and Holiday Camp programs. The Fund's assessment of key Providers and community-based programs enables us to hold them accountable and to implement positive programmatic changes. This review process will continue well into 2005.
- **Communications and Staff Development**  
The Strategic Plan established management training and planning goals to promote the development of the Fund's staff on improving our overall communications, ensuring that literature is multi-lingual and reader-friendly, and preparing staff to take on greater leadership roles.
- **Encourage 1199SEIU Youth to Prepare for Nursing**  
Due to the nursing shortage and the few students who select nursing as a college major, the Fund is in the preliminary stages of developing a program to encourage and support students entering nursing studies. This program will be geared toward high school students who already demonstrate an interest in nursing or science.

**Reaching and Serving More Members.** The Fund extended office hours, expanded our offices – which now includes a parenting resource room – and expanded and improved registration locations and materials. During extended hours at key periods, the Fund surveyed parents on issues of concern such as public education, program quality and approaches to parenting. At the same time, we secured our leases through 2018.

Online registration continued to be a viable option for our members that boosted registration. More than 3,000 of our members registered for programs in 2004.

**Expanding Services For Teens.** In 2004, the number of students attending the WorkForce 2000 program at NYU grew by 25 percent. Students participated in academic enrichment classes on Saturdays, cultural and political events during school holidays, summer internships, a weekend retreat and prepared for the SAT exams.

At the request of parents to help their teens who were struggling preparing for the PSAT/SAT exams, the CCF introduced prep classes for those students who were not approved for the WF 2000 program. Last year, 75 students took these prep classes for 15 weeks in the Spring and Fall.

**Engaging 1199SEIU Parents.** This year more than any year since the Fund commingled, more parents were involved in local Child Care Committees. The local committee structure continued to improve with increased member input to Fund programs. Their involvement resulted in an informed membership and better assistance during registration.

In conjunction with our college prep courses, the CCF partnered with Cornell University and Bank Street College to organize workshops for parents on topics such as teen sexuality, communications, disciplinary issues and school success.

# 1199SEIU Family of Funds

## Unaudited Financial Statements

as of 12/31/04\*

	<b>NBF</b>	<b>Pension Fund</b>	<b>Child Care</b>	<b>ETJSP*** TOTAL</b>
<b>Revenues:</b>				
Employer Contributions	795,851,234	260,424,301	15,698,388	19,355,911
Diversions	6,042,595		3,000,000	9,790,213
Grants				37,244,401
Cobra	3,079,241			-
Investment income and Gains	16,353,840	843,787,586	1,074,432	1,718,433
<b>Total Income</b>	<b>821,326,910</b>	<b>1,104,211,887</b>	<b>19,772,820</b>	<b>68,108,958</b>
<b>Expenses:</b>				
Benefit expenses	804,757,689	314,657,027	15,403,886	19,417,218
<b>Programs (Labor Mgt &amp; HCEP)</b>				6,485,018
<b>Grants Expenses</b>				37,244,401
Actuarial change in Claims Payable **	NA			-
Administration and General expenses	61,040,119	25,366,689	2,460,798	7,909,004
<b>Total Expenses</b>	<b>865,797,808</b>	<b>340,023,716</b>	<b>17,864,684</b>	<b>71,055,641</b>
<b>Net Change</b>	<b>(44,470,898)</b>	<b>764,188,171</b>	<b>1,908,136</b>	<b>(2,946,683)</b>
<b>Net Assets Available for Benefits</b>	<b>196,600,404</b>	<b>7,274,450,658</b>	<b>13,729,246</b>	<b>58,704,519</b>

**Note:**

\* ETJSP Funds (P&P, TUF and JSF) have a fiscal year ending 6/30/04. Grant information in the Narrative may reflect activities covering the whole of 2004.

\*\* The actuary has not yet calculated the change in the Claims Reserve for NBF

\*\*\* See attached breakdown of ETJSP Funds (P&P, TUF, JSF and RNTJSF)

# ETJSP Funds

## Unaudited Financial Statements

	P&P	TUF	JSF	RNTJSF
<b>Revenues:</b>				
Employer Contributions		18,358,091	956,355	41,465
Diversions	8,498,593	1,291,620		
Grants		37,244,401		
Investment income and Gains	1,036,765	395,260	173,394	113,014
<b>Total Income</b>	<b>9,535,358</b>	<b>57,289,372</b>	<b>1,129,749</b>	<b>154,479</b>
<b>Expenses:</b>				
Benefit expenses		13,126,250	4,776,404	1,514,564
<b>Programs (Labor Mgt &amp; HCEP)</b>	6,485,018			
<b>Grants Expenses</b>		37,244,401		
Administration and General expenses	1,243,070	4,889,158	1,408,557	368,219
<b>Total Expenses</b>	<b>7,728,088</b>	<b>55,259,809</b>	<b>6,184,961</b>	<b>1,882,783</b>
<b>Net Change</b>	<b>1,807,270</b>	<b>2,029,563</b>	<b>(5,055,212)</b>	<b>(1,728,304)</b>
<b>Net Assets Available for Benefits</b>	<b>20,809,982</b>	<b>25,403,399</b>	<b>8,418,129</b>	<b>4,073,009</b>