

SCHOOL DISTRICT OF PITTSBURGH
Workplace Accident and Illness Prevention Program Annual Report
for the School Year ended June 30, 2009

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Submitted by:

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PURPOSE OF THE REPORT

The School District of Pittsburgh's ("District") Board of Directors approved an accident and illness prevention program manual incorporating 28 separate workplace safety policy statements at their October 22, 2003 legislative meeting. Policy number 13, Program Evaluation and Analysis, requires that the Risk Manager complete an annual report on the workplace safety program.

This report further satisfies recommendation number 6-16 of the MGT of America *Performance Study of the Administrative Operations and Expenditures of the Pittsburgh School District* dated June 2005. MGT recommended that the District "prepare an annual report to be presented to the Board of Education that provides multi-years claims information."

BACKGROUND

The District is self-insured and self-administered under the Workers' Compensation Act. The self-insured status is reviewed annually by the Pennsylvania Bureau of Workers' Compensation Self-Insurance Division ("Bureau"). The District has purchased commercial, excess insurance for its workers' compensation self-insurance program for claims in excess of \$500,000.

The workers' compensation program is funded based on a percentage of gross payrolls, which was 1.7% from July 1 to December 31, 2004; 1.6% from January 1, 2005 to June 30, 2005; 1.5% from July 1 to October 31, 2005; 1.4% from November 1, 2005 to April 30, 2006; 1.3% from May 1, 2006 to August 31, 2006; 1.2% from September 1, 2006 to December 31, 2006; 1.1% from January 1, 2007 to September 30, 2007; 0.90% from October 1, 2007 to July 31, 2008; 0.10% from August 1, 2008 to June 30, 2009; 0.90% from July 1, 2009 to the present. Financial activity is reported through an internal service fund for workers' compensation, fund 702.

SUMMARY OF ACTIVITIES

The District's joint labor-management workplace safety committee meets monthly to review action needed forms, loss reports and hazard analyses. Committee members receive annual training on safety committee structure and operation, hazard identification, and accident investigation.

The safety committee includes functioning subcommittees for food service, facilities, operations¹, integrated pest management, and professional employees. The Workers' Compensation Specialist II (Acting Risk Manager) serves as the chair of the safety committee.

¹ Includes clerical and custodial employees.

During the 2008/09 school year, the safety committee published 12 issues of its employee safety newsletter, *Safety First*. In addition, the safety committee provided employees a monthly safety awareness bulletin exploring in detail one specific hazard per month, such as venomous spider awareness month in June 2009.

The benefits of having an effective safety committee include a reduction in the number of workplace injuries and illnesses, a reduction in the hidden costs associated with workplace injuries and illnesses, and an increase in employee safety awareness in the workplace.²

Safety meeting minutes, newsletters, awareness topics and other related material are accessible to all employees through the District's website at:

<http://www.pps.k12.pa.us/143110127102040843/site/default.asp>

EXTERNAL PERFORMANCE EVALUATION

Effective June 30, 2004, the District's workplace safety committee was certified by the Health and Safety Division of the Pennsylvania Bureau of Workers' Compensation (the certification has since been renewed annually).

In August 2004, AON Risk Services, Inc. performed a workers' compensation audit comparing the District's reporting, investigation, medical management, documentation, litigation, reserves, and case claim management against best practices. The District scored 92 on a 100 point scale.

In April 2005, the Health and Safety Division conducted an on-site audit in accordance with Section 1001 (c) of the Workers' Compensation Act for the purpose of determining the adequacy and effectiveness of the District's accident and illness prevention program, assigning a preliminary rating of adequate due to no deficiencies being discovered. A final rating of adequate was assigned in May 2005.

In June 2005, the MGT report commissioned by the Commonwealth's Legislative Budget and Finance Committee commended the District for:

- Developing an effective safety program and improving management of the workers' compensation program;
- Establishing an Integrated Pest Management workplace safety subcommittee and providing a program that deals effectively with the use of pesticides.

In March 2006, the District's received the Pennsylvania Association of School Business Officials (PASBO) 2006 Award of Achievement for "Workplace Accident and Illness Prevention Program: Developing, Adopting and Implementing a Safety Culture in Your

² PA Department of Labor & Industry, "Workplace Safety Committees Technical Assistance Manual" (2003).

District.” The PASBO Awards of Achievement program is designed to identify extraordinary school management practices, proposals and publications which lead to the effective use of valuable educational resources.

In October 2006, the District was honored with the Governor’s Award for Safety Excellence:

Providing a safe work environment for Pennsylvania’s workers requires complete commitment by employers and employees. For this reason, Governor Rendell’s safety initiative provides Pennsylvania employers and employees with the information and technical assistance needed to develop comprehensive safety practices in the workplace. It will also recognize the successful employer-employee joint safety programs, which result in the achievement of safety excellence...The Governor’s Award for Safety Excellence is a highly competitive award. The information gained from these nominations provides valuable best practices that are shared across the state...Any Pennsylvania employer is eligible for the Governor’s Award for Safety Excellence; nominations for the award are voluntary. Information and criteria used to determine finalists include workplace injuries/illnesses vs. industry standards; and innovation and strategic development of safety policy and approaches.

In October 2006, the District also received the Pennsylvania Self-Insurers’ Association Award of Excellence (2006)—“This award is given annually to a self insured entity in the Commonwealth of Pennsylvania who demonstrates excellence in the handling of their self insured worker’s compensation program.”

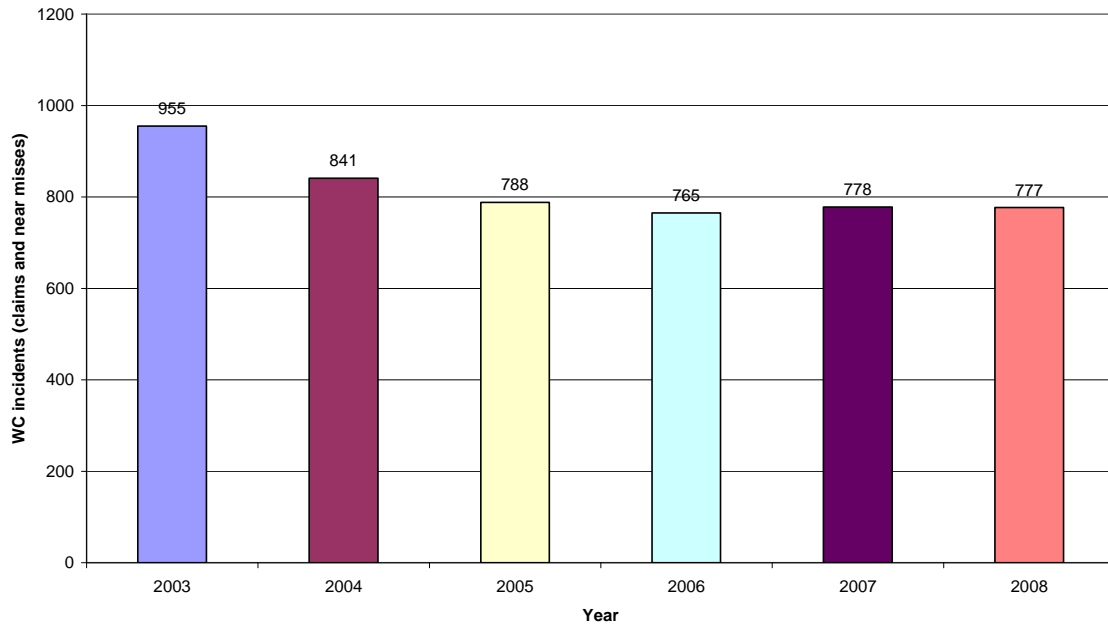
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WORKERS’ COMPENSATION INCIDENT TRENDS

Workplace accidents are reported using a third party call center. The Risk Management section investigates all workplace safety incidents reported, including accidents and near misses. Data since implementation of the adopted accident and illness prevention program suggests improved workplace safety.

As the following illustrates, workers’ compensation incidents decreased from 2003 to 2008, from 955 incidents in 2003 to 777 incidents in 2008. Continued efforts to publicize the reporting number have increased the volume of no cost or near miss incidents reported. Because of this, it is important to not just evaluate the program by sheer volume of incidents report, but also look to cost and liability to evaluate severity of claims over time. In 2008 we had 36 lost time claims, a reduction from 40 in 2007.

SCHOOL DISTRICT OF PITTSBURGH
Workers' Compensation Incidents
January 1, 2003 to December 31, 2008

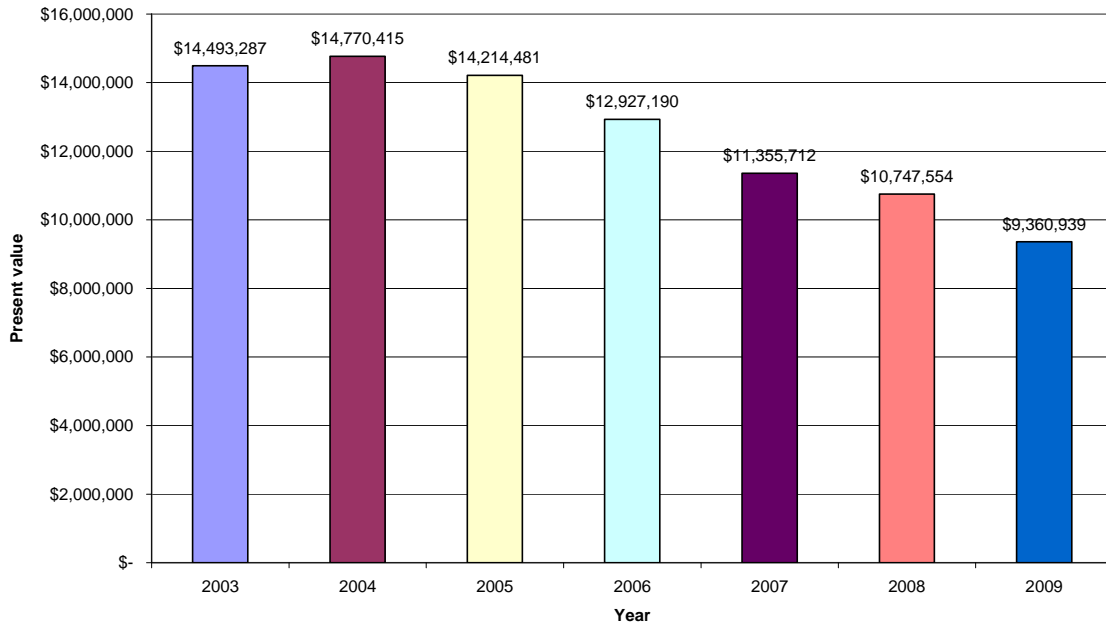


WORKERS' COMPENSATION ACTUARIAL TRENDS

In conjunction with the annual renewal of the self-insurance status, the District contracts with an actuary to conduct a valuation of outstanding workers' compensation claims as of June 30. The August 2009 *Actuarial Estimation of Workers Compensation Unpaid Claims and Allocated Claims Adjustment Expenses as of June 30, 2009* prepared by Oliver Wyman reports the District's outstanding liability reflecting the time value of money at \$9,360,939 as of June 30, 2009, a decrease of \$713,815 from June 30, 2008.

The outstanding liability valued at June 30th is shown in the following chart for the last seven school years.

SCHOOL DISTRICT OF PITTSBURGH
Estimated Outstanding Workers' Compensation Liability (Present Value)
June 30, 2003 to June 30, 2009



In 2005, the District evaluated proposals from qualified insurance carriers for a loss portfolio transfer. A loss portfolio transfer would have exchanged the District's liability for one or more open claims years in exchange for a one-time payment. As the proposals did not provide net present value benefit for the District, the Board rejected all bids.

During 2009/10, the District's liability will be influenced by medical inflation trends, providing upward pressure, and projected reduced claims, providing downward pressure. Improved claims management and the workplace safety program are likely to keep the overall liability trend flat or declining for June 30, 2009.

WORKERS' COMPENSATION FINANCIAL TRENDS

The District's *Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2008* reported that the net asset position of the workers' compensation fund decreased by \$307,251 during calendar 2008. The table below reflects workers' compensation activity for the last five audited periods:

Workers' Compensation Internal Service Fund	12/31/2003	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008
Beginning Net Assets	\$ (902,070)	\$ (1,562,170)	\$ (150,799)	\$ 2,366,338	\$ 4,241,092	\$ 6,282,768
Revenue	5,310,539	5,649,742	5,102,009	4,361,482	3,864,331	2,357,484
Expenses	6,970,639	4,238,371	2,584,872	2,486,728	1,822,655	2,664,735
Income (Loss) before transfers	(1,660,100)	1,411,371	2,517,137	1,874,754	2,041,676	(307,251)
Transfers In (Out)	1,000,000	-	-	-	-	-
Change in Net Assets	(660,100)	1,411,371	2,517,137	1,874,754	2,041,676	(307,251)
Ending Net Assets	\$ (1,562,170)	\$ (150,799)	\$ 2,366,338	\$ 4,241,092	\$ 6,282,768	\$ 5,975,517

In the 60 months of operation from January 1, 2004 to December 31, 2007, the net assets in the workers' compensation fund increased by \$7,537,687.

The reduction in direct costs does not alone capture the importance of the accident and illness prevention program in reducing workplace injuries. Hidden costs associated with workplace injuries can run 5 to 10 times the actual costs of a workers' compensation claim, including:

- Production delays;
- Time lost by workers and supervisors attending to an accident victim;
- Clean-up and start-up of interrupted operations;
- Costs related to conducting an accident investigation;
- Time spent retraining others to replace injured workers;
- Possible reduced worker morale and lower efficiency;
- Impact on employee, employee's family and personal life.³

We presently project an ending net asset position of \$4.5 million in the workers' compensation fund for December 31, 2009, the result of a deliberate strategy to draw down reserves and use a much suppressed contribution rate for the back half of 2008 and the first half of 2009 given that the liability has dropped so dramatically over the last five years.

WORKERS' COMPENSATION BUDGETARY IMPACT

On July 23, 2008, the Board adopted the following resolution:

RESOLVED, That the Board authorize its proper officers to adjust the employer contribution rate to the Workers' Compensation fund to 0.10% from 0.90%, effective August 1, 2008, and

RESOLVED FINALLY, That this rate reduction shall sunset on or about December 31, 2008, with the employer contribution rate returning to 0.90% of

³ PA Department of Labor & Industry, "Workplace Safety Committees Technical Assistance Manual" (2003).

payroll at such a date as determined appropriate by the Chief Financial Officer, but not later than June 30, 2009, absent specific additional Board authority.

The District has been successful in reducing its long-term liability over a period of years through a variety of claims management and workplace safety initiatives approved by the Board of Directors.

GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, requires that the net asset balance should be "adjusted over a reasonable period of time so that internal service fund revenues and expenses are approximately equal." As such, this rate reduction was temporary only and deliberate in nature to reduce net assets in the fund. It is not sustainable and we therefore had crafted specific sunset language to facilitate the long run financial integrity of the program. The rate was restored to 0.90% for July 1, 2009.

The District anticipates reviewing the contribution rate again prior to adoption of the 2010 General Fund budget. We currently project a payroll taxing rate of 0.90% effective January 1, 2010.

CONCLUSION

The accident and illness prevention program continues to improve the performance of risk management operations at the School District of Pittsburgh.

Preparation of this report would not have been possible without the efficient and dedicated service of the joint labor-management safety committee, which regularly brings workers and management together in a non-adversarial, cooperative effort to promote safety and health in the workplace.