

**NATIONAL SECRETARY-TREASURER'S REPORT
TO THE
NATIONAL EXECUTIVE BOARD**

Ottawa, Ontario
June 20-21, 2012

Sisters and Brothers:

I am pleased to present my report on the financial statements for the first quarter of 2012, with an attempt to keep it as current as possible where actions and activities involving members and staff are concerned.

Since my last report, I have had the opportunity to meet hundreds of local leaders and activists at Division conventions that began with Saskatchewan in the last week of February and ended with Ontario in the last week of May. Thank you all for your warm welcomes, hospitality and willingness to help me learn more about your local and regional issues.

It is no surprise that CUPE members right across Canada are facing the same issues, with governments all singing the austerity tune even in regions where working people are driving growth and prosperity. Not only are employers tabling proposals that would see a decline in pensions and benefits, but they are increasingly ready, especially in Ontario, to impose final offers or new terms and conditions of employment as strike or lockout deadlines loom.

Complicit in this attack on workers are governments at every level. In Saskatchewan, the Wall government has released a consultation paper as part of a review of 15 different pieces of labour legislation. Some of the questions reflect the same desire to stifle union political activity as we see in Bill C-377, the private member's bill currently before the House of Commons.

Of course, it takes a lot more than threats, intimidation and heavy-handed legislation to keep CUPE members down. Members are campaigning to promote the work they do and the ways that it helps to keep communities strong. Again at this meeting, the National Executive Board will consider a large number of requests for cost-shared campaigns. We are still within the budget allocated for cost-shares; however, if all requests presented at this meeting are approved, there will be \$270,000 available for the rest of the year.

Members are also responding to the attack on workers with increasing job action. After several years of few strikes or lockouts, we have seen thousands of members on the streets in the first part of 2012, mostly in Ontario. In Regina, Saskatchewan, members of Local 1594 at Regina Public Library staged a short walkout and rally in late May and are refusing to collect library fees fines in order to minimize disruption of the public's use of the library.

As public sector workers, it is important that we maintain a link with the community to highlight our common interests. In Quebec, through the FTQ, CUPE members have joined in solidarity with students, first protesting tuition fee increases and then in common cause against Bill 78, which restricts the ability to protest.

We also have to work internally to ensure we are ready to face increasing demands for so-called accountability, such as that contemplated in Bill C-377. That is a message I have tried to get out in my remarks to division conventions. Most of our National representatives have attended or are attending staff training at this time of year. In Alberta and Ontario, course offerings included 1.5 days on "What Reps Need to Know About Local Finances." Union Development has also revised the training for local financial officers. All of these efforts should help to get our locals in good financial shape.

As Bill C-377 makes its way through the parliamentary process, we have written to all of our suppliers to let them know that this proposed law would force us to report all of our contracts and other dealings worth more than \$5,000. A similar letter has been prepared for the outside legal firms that CUPE uses. I continue to represent CUPE on the CLC working group on Bill C-377, although the travel required by the spring convention schedule has meant that Sister Anne Gregory, from our Legal department, has attended in my place.

On the internal front, I am pleased to welcome Sister Marie-Andrée Bourgoïn to our team. We will ask the National Executive Board at this meeting to approve her appointment as Managing Director of Human Resources, effective May 28, 2012.

In April, I was able to attend the joint meeting of all our National committees. We heard a stimulating panel discussion that helped to show the commonalities among the differences in the tasks our committees have set for themselves.

The financial statements that follow continue to show our union operating on a sound financial foundation. There are some points that I would like to highlight:

- With the completion of the new Ontario Regional Office, our Regional Building Fund is now depleted. We start again at zero to grow the fund by \$1 million per year in anticipation of the next large capital project.

- While we remain on course with our roadmap for meeting Employee Future Benefit expenses, the endpoints are moving. As we have made progress, the actuarial liability has grown. We will revisit this matter with the NEB before the end of the year.
- These matters aside, we are showing a surplus from 2011. The National Executive Board will discuss at this meeting how the unrestricted surplus should be allocated to meet the challenges confronting our members.

FINANCIAL STATEMENTS FOR THE PERIOD ENDED March 31, 2012

General Fund

The total assets in the General Fund at March 31, 2012 were \$156.6 million compared to \$157.0 million at December 31, 2011. The bank balance at March 31, 2012 was \$11.9 million compared to \$18.4 million at December 31, 2011 and \$19.1 million at March 31, 2011. The reduction in the first quarter is largely related to funding required for capital projects. The bank balance includes, \$5.8 million of cash reserved for retirement payouts, future benefit funding, the 2013 convention and the Regional Building Fund. The total investments set aside for Employee Future Benefit Expenses is up significantly from December 2011 due to transferring money from the cash reserves in the General Fund bank account over to the investment account and also due to positive market fluctuations in the quarter. The investment account now stands at \$31.4 million.

Fixed assets have increased \$3.0 million in the first quarter of 2012. Work on the new Ontario Regional Office building is almost complete. Staff took occupancy in mid-April. CUPE Ontario has also moved into the leased space in the building. The total capital cost to date on this project is \$24.5 million. The project is in its final stages with a few small items and the construction holdbacks left to be paid. Construction began on the expansion building for the national office in early April with total costs now at \$669,000 on a budget of \$8.5 million. Work has begun on a physically accessible building to replace our existing office building in Charlottetown, Prince Edward Island with a completion date targeted in the late summer of 2012.

The total liabilities in the General Fund were \$104.7 million at March 31, 2012 representing a decrease of \$2.2 million from the previous quarter.

The Provision for Employee Future Benefit expenses stands at \$56.0 million on these financial statements for the first quarter of 2012. As of the December 31, 2011 audited financial statements, the true actuarial liability is \$229 million leaving a gap of \$174 million unrecorded in our financial statements. It is worth noting that the gap at the end of 2010 was \$170 million. Despite our efforts, the roadmap we have set out for recording our Employee Future Benefit Liabilities has not kept up with the pace of

growth in the actuarial cost of the liabilities this past year. We will be once again embarking on a comprehensive update to the data underlying the roadmap and will have a further report to the NEB before the end of 2012 as to any recommended budget impact for 2013. Having said that, we are proud that we are still making headway and have been able to record an additional \$10.0 million of this liability in the past twelve-month period.

The Fund Balance at March 31, 2012 is \$51.8 million of which a total of \$3.6 million is restricted as follows: Convention and National Events Assistance Fund (\$984,000), Fightback Fund (\$2.5 million), Anti-Privatization Fund (\$75,000 unspent cumulated amount to the end of 2011). The remaining balance in the Regional Building Fund (\$2.2 million at the beginning of 2012) was fully spent on construction of the new Ontario Regional Office during the quarter. The Regional Building Fund will now start back at zero and grow again by the \$1.0 million annual budget to accumulate funds for the next significant capital project. Of the remaining Fund Balance, we have invested \$45.0 million in fixed assets leaving an unrestricted surplus of \$3.2 million.

The preliminary operating surplus after provision for the Regional Building Fund for the first quarter of 2012 is \$205,000. Per Capita revenue is under budget by \$156,000. At the same time, expenditures for the quarter were under budget by \$595,000.

Below are some of the significant variances in expenditures:

1. Election spending is \$155,000 under budget in this first quarter due to a quiet election period.
2. The Anti-Privatization budget is underspent by \$295,000 in the first quarter because invoices have not yet been submitted to the National.

At this point in the year, many of the differences from budget are attributable to timing.

National Defence Fund

Assets in the National Defence Fund as of March 31, 2012 totaled \$8.7 million, compared to \$9.0 million at December 31, 2011. Liabilities totaled \$4.6 million, leaving a Fund Balance of \$4.1 million. Total revenue for the first quarter of 2012 is \$2.4 million against expenditures of \$2.0 million leaving a preliminary surplus for the quarter of \$367,000.

Cost-shared campaigns approved by the National Executive Board in this first quarter of 2012 totaled \$1.0 million, representing 43% of the annual budget. Major Organizing expenses were \$371,000, while National Strategic Initiatives totaled \$343,000. Spending on Regional Strategic Initiatives totaled \$228,000.

National Strike Fund

Total Assets in the Strike Fund as of March 31, 2012 were \$55.2 million, compared to \$53.4 million at December 31, 2011. These assets consisted of \$4.5 million in cash, \$1.8 million in per capita receivable, and \$48.9 million in investments. Under Liabilities, there were accounts payable and accrued liabilities of \$360,000, and payables to the Defence Fund of \$11,000 and to the General Fund of \$44,000. Therefore, at March 31, 2012 the Fund Balance was \$54.8 million, compared to \$53.0 million at December 31, 2011.

Revenue into the Strike Fund, including investment income, was \$3.4 million. Expenditures for the period were \$1.6 million. This results in a net surplus for the first quarter of 2012 of \$1.8 million.

STRIKES, LOCKOUTS AND SETTLEMENTS

Local 4948, Toronto Public Libraries – 2,300 members on strike against concessions from March 18 to March 29, 2012.

Local 4207, Brock University – 38 ESL instructors went on strike from March 26 to April 4, 2012 when the employer refused to ratify the tentative agreement.

Local 1287, Lincoln County Humane Society – 15 members were on strike from February 24 to May 18, 2012 against wage rollbacks and no benefits for new employees.

Local 966, Region of Peel, Ontario Works – 420 members, on strike starting May 3, 2012; Public Works – 282 members, starting June 4, 2012, against concessions.

Local 4989, Corporation of the County of Renfrew, Ontario Works – 22 members, start day of strike May 10, 2012, against benefits concessions.

Local 3393, St. Christopher House, Toronto – 85 full-time and 100 part-time members, without a contract since December 2009, on strike from May 29 to June 6, 2012 against employer demands for a five-year wage freeze and benefit reductions.

Local 4545, Blue Collars, City of Laval, Quebec – 543 full-time and 88 part-time members – 8 days on strike. A settlement was concluded in May.

PER CAPITA ARREARS

As of May 15, 2012, arrears total \$6.9 million which was an increase of \$79,742.71 or 1.17% over the March 2012 quarterly report.

TECHNOLOGY REPORT

The past few months have been very busy in the Technology Branch. Efforts have been focused largely on infrastructure issues and I am pleased to report a number of positive developments. We have revamped our standard laptop specifications and are now deploying a more robust and reliable laptop into the field. Despite issues in the supply chain for some hardware parts, we have also implemented a new procurement process that has seen a decrease in the wait time for new hardware deployment. We are working through the backlog of helpdesk tickets that had arisen over the past year. We continue to reassess the need for an extra resource with a view to making a determination soon as to the number of staff required on our Helpdesk over the long term.

We engaged The Exchange Group to undertake an operational review of the IT department and have received their report.

The IT Steering Committee met at the end of May to review all IT development projects underway, discuss ongoing technology challenges in the organization and to begin work on the development of a three-year strategic plan to move us forward.

PROPERTIES AND LEASEHOLDS

Properties

Fit-up construction work is substantially complete at 80 Commerce Valley Drive in Markham, Ontario, and the Ontario Regional Office and Ontario Division moved into the building over the weekend of April 21-22. Deficiencies and outstanding items are expected to be completed by the end of May.

Construction is underway on the proposed new 2-storey 22,500 square feet building on the portion of the National Office site located at 1378 Triole Street. A stipulated sum contract was negotiated, the building permit was obtained and work began in April. Work is proceeding on schedule and substantial completion is expected in December 2012, with occupancy in January, 2013. The budget for the project as approved by the NEB is \$8.5 million and is being funded through an increase on our existing mortgage.

The target date to complete construction of the new Charlottetown Area Office is June 2012.

The vacant land in Victoria, British Columbia was offered for sale and a purchaser was found in the late fall. The property is co-owned by HEU, CUPE National and CUPE Locals 1979 and 374 (now split to include Local 2011). The purchaser has now removed all conditions and the sale is set to close on July 25, 2012.

Leaseholds

We continue to await landlords' responses to our proposals to renew the current leases in Lethbridge and Medicine Hat, Alberta, renewing our tenancy in these existing premises to October 31, 2017 and November 30, 2017 respectively.

The interior renovations to the new leased premises in Edmonton, Alberta, are progressing well, within budget and on schedule, with completion targeted for August 2012.

In Kelowna, British Columbia, a candidate property has been identified and we are finalizing negotiations over the language of the landlord's proposed lease agreement. The 3,500 square foot premises will be secured by way of a 10-year lease effective July 1, 2012. Interior renovations to the space will begin early July 2012, with targeted occupancy November 2012. The premises will be designed to suit CUPE's spatial requirements and improvements will include flexibility to accommodate growth, improved meeting facilities, smaller meeting and break-out areas, and will incorporate energy efficient initiatives. The lease on the current space in Kelowna was extended for an additional month, to the end of October 2012.

NATIONAL CONVENTION AND OTHER CONFERENCES

The 2012 Joint Committees' Meeting was a success. All the National Committees (including the National Library Committee and the Post-Secondary Task Force, both new this year) met in Ottawa from April 17-20, 2012 at the Ottawa Marriott Hotel and The National Hotel and Suites. The committees met individually as well in a large plenary session that incorporated all of the participants.

Planning for the upcoming Health and Safety Conference is underway. The conference will be held at the Ottawa Convention Centre on October 12-14, 2012 with up to 500 delegates expected to attend.

TRAINING AND DEVELOPMENT

The work set out in Strategic Directions 2011-2013 for Union Development is well underway. Specific projects on employment equity, economic literacy and pension trustee training now have the added perspective of class analysis.

All regions had record attendance at their 2012 week-long schools. Courses that continue to attract high numbers are the Steward Learning Series, Building Strong Local Unions, Pensions, Bargaining, Bullying in the Workplace and Women Speaking Up.

UDD staff assisted with the All Committees' Meeting – April 17-20, providing training for the National Committees' Co-Chairs, NEB Liaison and Staff Advisors. During the plenary day, committees met with each other and in regional workshops, practicing how to apply various tools for mobilizing on issues.

UDD staff from across the country met in May for a day and a half with their counterparts from the Equality Branch, discussing common goals and ways to collaborate on equality issues.

Staff training is underway or about to take place in most regions of the country. UDD, Research and Organizing and Regional Services have collaborated on a plan to provide staff training on CAIS – the Collective Agreement Information System.

Annual pension trustee training is scheduled for September 9-14 at the CAW Family Education Centre, in Port Elgin, Ontario and member facilitator training will be held in September and December.

UDD staff are also helping to put together two major conferences – Health and Safety and Bargaining – that are just around the corner.

PENSION ADMINISTRATION

As you are aware, the CUPE Employees' Pension Plan is currently showing a solvency deficiency and, effective January 2012, special payments are being remitted on a monthly basis to the pension plan.

At the June 2012 Joint Board of Trustees meeting, the actuary of the plan presented the results of the January 1, 2012 actuarial valuation. The Trustees invited the Settlers to attend the presentation.

The Auditors of the CUPE Employees' Pension Plan have completed the 2011 audit of the Pension Fund and the 2011 Financial Statements were also presented to the Trustees for their approval.

The JBT also voted to give the Chair and Vice-Chair a mandate to take actions as necessary to counter the private member's bill C-377.

The 2011 Report to Members is well underway and will be posted on the CEPP website – www.cepp.ca, along with the Financial Statements, once all finalized.

The Pension Plan staff is currently working on the preparation of the 2011 Annual Statements, which describe the members' pension credits and entitlements. The statements will be mailed to all active plan members in late June 2012.

The planning of the Fall 2012 pre-retirement seminars is underway. Seminars will be held in the Maritimes, Montréal and possibly Toronto and Ottawa. The seminars are offered to pension plan members who have attained age 45 years and have five years of credited service under the Plan. The seminars better prepare members psychologically and financially for their retirements.

Deaths

Brother James Lynd, retiree, Ontario Regional Office – April 12, 2012
Brother Andrew (Nap) Milroy, retiree, Lethbridge Area Office – April 14, 2012
Mrs. Eleanor Maillet, spouse of retiree Ralph Maillet – May 20, 2012
Sister Josephine Ingle, retiree, Ontario Regional Office – June 5, 2012

Retirement

Sister Julia Ardiel, Windsor Area Office – June 1, 2012
Brother Serge Champagne, Québec Regional Office – June 1, 2012
Brother Michel Bergeron, Trois-Rivières Area Office – June 1, 2012
Sister Andréa Boudreau, Bathurst Area Office – August 1, 2012

CONCLUSION

This report paints a picture of a busy union, on the administrative, bargaining and political fronts, among staff and members. There is no reason to expect this to change, especially as employers continue to engage in hard bargaining.

I hope everyone has some time in the coming months to rest and rejuvenate, enjoy time with family and friends. I wish you all the best for a safe and pleasant summer and look forward to seeing many of you at the National Health and Safety Conference.

In closing, on a more personal note, I wish to offer my sincere condolences to Brother Paul on the loss of his parents, Lloyd and Mae Moist. My thoughts are with you.

Respectfully submitted,

CHARLES FLEURY
National Secretary-Treasurer

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