

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

Ottawa, Ontario
March 15, 2012

Sisters and Brothers:

The year 2012 has gotten off to a running start. Looking back at the last quarter of 2011, we see the groundwork was being laid for some of the program developments and campaigns currently underway.

You approved a budget last December that will allow us to support locals and divisions in the necessary work of promoting and defending our members and the services they deliver. We built that budget on some basic assumptions, including an expectation that we would have additional revenue over what had been projected for 2011. Indeed, you will see in the statements reported here that we ended 2011 with revenues over budget by \$4.2 million, as expected.

It was just over a year ago that some of our staff travelled to Wisconsin to support the occupation of that state's legislative building in protest against draconian measures to deny basic bargaining rights to public sector workers. The degree to which the assault on workers and their unions, with special targeting of the public sector, has intensified in 12 months is almost breathtaking.

We knew the agenda of the Stephen Harpers, Brad Walls, David Alwards, Christy Clarks and Rob Fords. But it was still shocking to hear Harper's declaration in Davos, Switzerland that Canadian old-age pensioners are costing too much. Instead of acting to ensure all Canadians can have a secure retirement, as the Canadian Labour Congress campaign demands, he is threatening to throw even more seniors into poverty or sentence them to a lifetime of work.

In Ontario, the Drummond report is going to put pressure on many of our sectors through the provincial budget. In New Brunswick, the government is talking about cutting as much as one-quarter of the public service. And, in the private sector, our sisters and brothers are facing employers who think nothing about locking the doors and moving away.

There are days when the attack feels relentless. But our members are fighting back, thinking strategically and fighting smart. This is the way to both ensure the best use of our resources and to score more victories.

Sometimes, the wins are big. In Saskatchewan, we were able to support a Charter challenge of that province's Public Services Essential Services Act with CUPE acting as intervener. The court has ruled that the law is unconstitutional.

Sometimes the wins minimize the damage an employer is trying to inflict. Four municipal locals in Toronto joined forces in a strike averting campaign at the beginning of the year. With support from the National Strike Fund, they ran a television ad and intensified work with the media to try to help the public understand how destroying job security hurts public services. At the time of writing this report, three locals were still at the table; however, Local 416 managed to maintain a level of security for members, see some wage gains and avert a lockout by the employer.

And, when it comes to pensions, our members are keenly interested in seeing improvements, not cutbacks. More than 600 members registered to attend a special pension meeting organized by CUPE Quebec. This is a campaign that will continue to grow.

As mandated by the National Constitution, we started the year with the pleasurable task of meeting with all of our staff representatives across the country. In their reports, we heard that members are still achieving decent settlements in many sectors despite the difficult bargaining climate.

One of the topics I was able to discuss with staff at those meetings was the financial well-being of our locals. This is a matter that is gaining importance, not only because of the duty we have to members to properly manage their dues monies, but also because of another threat to our independence and activism as a union. I am representing CUPE on the CLC working group struck to deal with Bill C-377, a private member's bill that is the second attempt in this Parliament to force unions to publicly report all of our financial transactions.

The real purpose of this bill is to try to stop us from engaging in political activity on behalf of our members. It is an attack on our democratic right to take collective action in our own interest. We have a big, difficult job to do explaining to the public why this is an attack on democracy. But we cannot be silent.

I also had the pleasure in January of travelling with Brother Paul to Washington, DC where we met with our sister public sector unions. We have so many common interests and face a similar assault on our rights as workers and trade unionists. These are relationships to nurture and sustain.

Solidarity was also high on the agenda here at home. I visited the locked out workers at Rio Tinto in Alma, Quebec and presented a cheque to show our support. This is truly a battle over social values where the employer wants to continue to contract out work. Friends and neighbours are forced to work side by side for different wages, one employed by the company and one employed by a private contractor. Instead of working on a fair settlement, the employer has locked the doors.

We also contributed to the CAW members who were originally locked out by Caterpillar, owners of Electro-Motive in London, Ontario, and subsequently lost their jobs entirely as the company packed up to move away.

In addition, we are proposing a donation to Amalgamated Transit Union (ATU) Local 508 and Local 1229, representing workers of the Halifax Metro Transit in Nova Scotia and workers of Acadian Coach Lines in New Brunswick and Prince Edward Island. The members of Local 508 have been on strike for more than five weeks while Local 1229 members have been locked out for three months. Solidarity is the only way to fight back against attempts by employers to take away workers' rights. I will bring motions for these contributions to have the endorsement of the entire National Executive Board.

Division conventions have started up for 2012. I will elaborate on many of these topics there, where I look forward to getting to know many more CUPE leaders and activists. I will be happy to report on the financial state of our National union, which remains sound as outlined in the rest of my report.

Our preliminary financial results show a surplus in the General Fund, largely driven by revenues exceeding forecast. Because of the importance of our roadmap with respect to Employee Future Benefit Liabilities, our auditors have a standing recommendation that any time we have available funds, we direct them toward increasing the Provision for Employee Future Benefits.

FINANCIAL STATEMENTS FOR THE PERIOD ENDED December 31, 2011

General Fund

The total assets in the General Fund at December 31, 2011 were \$156.1 million compared to \$138.9 million at September 30, 2011. The bank balance at December 31, 2011 was \$18.2 million compared to \$28.6 million at September 30, 2011. The reduction in the fourth quarter is largely related to funding required for capital projects and payment of retroactive wages. Included in our cash position is \$12.4 million of funds reserved for specific purposes such as the Regional Building Fund, retirement payouts, employee future benefit funding, and the 2011 convention. The value of our investment monies reserved to fund Employee Future Benefit expenses increased significantly in this fourth quarter due to a combination of transfers from the cash reserves in the bank account into the investment account and positive market fluctuations and now stand at \$27.9 million.

Fixed assets have increased \$19.6 million in this fourth quarter of 2011. In October, we completed the purchase of the building in Markham that will house our new Ontario Regional Office at a cost of \$17.6 million. Construction within this new office space continues with total expenditure on the project (including the purchase of the building) now at \$21.6 million. Planning and design work is well underway on the expansion building for the national office with total costs of \$702,000 to date. We are expecting to break ground on this project in late spring. 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 spring of 2012. Costs incurred in this fourth quarter were \$113,000.

The total liabilities in the General Fund were \$102.6 million at December 31, 2011 representing an increase of \$14.5 million from September 30, 2011. The increase is largely due to taking on a new mortgage of \$16 million with Citizens Bank to finance the purchase of the new Ontario Regional Office building in Markham.

We continue to make headway toward recognizing our obligations for employee future benefits. The booked liability stood at \$50.3 million at December 31, 2011 compared to \$45.5 million at December 31, 2010. The actual total liability at December 31, 2010 is \$216 million. We will only know the actual liability at December 31, 2011 at the completion of the 2011 audit. Progression along the roadmap updated in the 2010 budget process will hopefully see us continue to make progress toward booking the entire liability on our Balance Sheet over the next 20 years.

The Fund Balance in the General Fund as of December 31, 2011 has reached \$53.5 million, up \$2.8 million from September 30, 2011. Of this, \$6.0 million represents funds restricted to a specific usage (convention and national events assistance, fightback, anti-privatization and regional building fund) and \$37.9 million is invested in capital assets.

The preliminary operating surplus after provision for the Regional Building Fund for 2011 is \$6.9 million. Per Capita revenue is over budget by \$3.7 million. At the same time, expenditures for the year were under budget by \$2.7 million.

Below are some of the significant variances in expenditures:

1. Fixed Travel is **under** budget by \$860,000 or 8.1%. In 2011, the budget for fixed travel was reduced by 3.9% as historical analysis showed it was consistently underspent over the past few years. This budget line has been adjusted somewhat further in 2012.
2. Office Expenses is running \$382,000 **under** budget. Analysis shows the underspend is fairly consistent across the country.

3. Finance and Administration Program expenditures are \$355,000 **under** budget largely due to the delays experienced in launching the new payroll and HRIS information system. The system went live on January 1, 2012 so the amortization expense on the system will start in 2012.
4. NEB/NEC Other is running \$309,000 or 91.3% **under** budget. The spending pattern in this budget line over the past five years has been a steady and significant decline. The 2012 budget has been adjusted accordingly to reflect recent spending patterns.
5. Election spending is currently \$12,000 **under** budget in these preliminary statements. At the March 2011 NEB it was noted that there will be financial room for this budget line to in fact be overspent by \$300,000 in 2011 reflecting the unusual level of election activity at both the federal and provincial levels this year however it appears that we will not need all of the additional monies allotted.
6. The Anti-Privatization budget is **fully spent** for the year and we have used \$105,000 of the restricted equity balance created in prior years. This is somewhat of an estimate in these preliminary financial statements as invoices are still being received. However, it does appear we will have spent most of the money put away into the restricted equity from this budget line in prior years by the time the statements are adjusted for the audit.

It should be noted that expenses for 2011 are still being received and processed as we write this report and will be picked up in the final audited version of the 2011 Financial Statements to be presented at the June 2012 National Executive Board.

National Defence Fund

Assets in the National Defence Fund as of December 31, 2011 totaled \$9.0 million, compared to \$8.0 million at September 30, 2011. Liabilities totaled \$4.8 million, leaving a Fund Balance of \$4.1 million. Total revenue for 2011 is \$8.7 million against expenditures of \$7.9 million leaving a preliminary surplus for the year of \$829,000.

Cost-shared campaigns approved by the National Executive Board in 2011 totaled \$3.4 million, representing 146% of the annual budget. Major Organizing expenses were \$2.1 million, while National Strategic Initiatives totaled \$1.2 million. Spending on Regional Strategic Initiatives totaled \$1.2 million.

National Strike Fund

Total Assets in the Strike Fund as of December 31, 2011 were \$53.4 million, compared to \$53.0 million at September 30, 2011. These assets consisted of \$2.7 million in cash, \$2.0 million in per capita and accounts receivable, and \$48.6 million in investments. Under Liabilities, there were accounts payable and

accrued liabilities of \$259,000, and payables to the Defence Fund of \$11,000 and to the General Fund of \$40,000. Therefore, at December 31, 2011 the Fund Balance was \$53.0 million, compared to \$52.3 million at September 30, 2011.

Revenue into the Strike Fund, including investment income, was \$13.5 million. Expenditures for the period were \$5.0 million. This results in a preliminary net surplus for 2011 of \$8.5 million.

STRIKES, LOCKOUTS AND SETTLEMENTS

Local 7498, University of Sherbrooke – support staff and research staff settled December 13, 2011, after being on general strike since August 26. The new collective agreement provides a 14% wage increase over six years from January 1, 2010 to December 31, 2015.

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

PER CAPITA ARREARS

As of December 2011, arrears total \$11.5 million, which was an increase of \$3.5 million or 30% over the September 2011 quarterly report.

TECHNOLOGY REPORT

We are in the process of evaluating the status of ongoing projects with a view to providing a more comprehensive report to the Board of departmental activities in June.

We are happy to report that the new HRIS software, which runs our Payroll and HR systems, went live January 1 as scheduled. Ongoing enhancement work to complete the first phase of this project will be carried out over the coming months, but the core functionality of the system as it relates to payroll and HR transaction processing is up and running smoothly. I would like to extend my thanks to the project team for a great job on a challenging project.

PROPERTIES AND LEASEHOLDS

Properties

Construction is proceeding on the fit-up of 80 Commerce Valley Drive in Markham, Ontario, and was nearly 45% complete at the end of 2011. Construction is proceeding within budget and on schedule for completion at the end of March. Occupancy is being planned for the weekend of April 21 to 22, 2012, allowing for installation of furniture and equipment and flush out of the building.

Tendering has just commenced on the proposed new two-storey, 22,500 square foot building on the portion of the National office site located at 1378 Triolet Street. The building permit application has been submitted to the City and is under review. Construction is expected to commence in the spring, as soon as weather conditions are favorable, with occupancy in January, 2013.

Financing for this project is coming primarily from an increase in our existing mortgage on the National Headquarters of a further \$6.8 million. Also, an operating line of credit of up to \$1.8 million is being established with the Bank of Nova Scotia to provide additional short-term funding as required for this project. This financing will require us to provide the Bank of Nova Scotia with a first charge on our property in Fredericton. A motion will be presented at this Board to ratify both of these financing vehicles.

Construction of the new 2,880 square foot Charlottetown Area Office is underway with occupancy targeted for July, 2012.

The parcel of land co-owned by HEU, CUPE National and CUPE Locals 1978 and 374 (now split to include Local 2011) in Victoria has been conditionally sold. The Buyer had until early March to remove their final conditions related to feasibility of the site for their purposes and financing. The closing date is July 25, 2012.

Leaseholds

The lease for the St. John's Area Office in Newfoundland has been renewed to April 30, 2013.

The lease for the Yarmouth Area Office in Nova Scotia has been renewed to July 31, 2013.

We continue to explore a lease renewal for the New Glasgow Area Office in Nova Scotia with some minor renovations required to accommodate expansion requirements.

We continue to await Landlords' responses to our proposals to renew the current leases in Lethbridge and Medicine Hat, Alberta to October 31, 2017 and November 30, 2017 respectively.

In Edmonton, Alberta, a candidate property has been identified and we are finalizing negotiations over the language of the Landlord's proposed lease agreement. The 10,000 square foot premises will be secured by way of a 10-year lease effective March 1, 2012. A project team has been selected and tenant improvements are scheduled to begin early March 2012, with targeted occupancy August 2012. The premises will be designed to suit CUPE's spatial requirements and improvements will include an additional meeting/library area, expansion space, a fitness facility and will incorporate energy efficient initiatives. The lease on the current space in Edmonton was extended for an additional six-month period to the end of August 2012.

In Kelowna, British Columbia, we are awaiting a response from our current landlord to our request for a five-year renewal in the existing premises to the end of September 2017 with minor renovations at the Landlord's expense. We are also investigating relocation opportunities.

NATIONAL CONVENTION AND OTHER CONFERENCES

This year again we have signed contracts with two hotels in Ottawa offering preferred rates for our members and staff from outside Ottawa who need to stay over for meetings. They are the National Suite Hotel and the Delta City.

The Health and Safety Conference is scheduled for October 12-14 at the Ottawa Convention Centre and we will soon secure hotel rooms for this event.

TRAINING AND DEVELOPMENT

The staff in the Union Development Department and members have been delivering programs at an ever-increasing rate. Courses are being reviewed and revised in accordance with the mandates adopted at the 2011 National Convention and our ongoing priorities to integrate equality into our program.

Union Development staff from national and the regions met in January for training and work planning. With the help of two very skilled facilitators in the Art of Participatory Leadership and Social Change, they came away with specific plans to help shape their work.

Bullying in the Workplace – new three-hour, six-hour and nine-hour workshops are almost complete. The material has been developed with two distinct audiences in mind: those who are required to attend at workplaces (including managers) and those offered through the union for union members only.

Employment Equity – UDD is working with the Equality Department to develop and deliver a variety of education opportunities about employment equity. This includes working with the Ontario Division on their campaign, having discussions at various sector conferences, Division Conventions and staff training.

Bargaining Conferences – in February, a very well-attended bargaining conference in Alberta identified political and economic pressures on bargaining tables. Delegates mapped out some specific strategies to address those pressures. More communication within and between sectors, coordination of bargaining, and choosing issues based on criteria that help ensure success are actions they will pursue.

Member Facilitator Training – two classes are planned for 2012. Alberta, Saskatchewan and Manitoba will train their selections in April in Moosejaw. The other regions will come together in Ottawa in September.

Staff training is being planned in all regions for the spring/early summer. Along with standard bargaining and arbitration skill development, courses will provide training on local finances, pensions, equality, technology, social media, CUPE history and facilitating meaningful conversations.

PENSION ADMINISTRATION

Effective January 1, 2012, I am Chair of the Joint Board of Trustees and Brother Brian Edgecombe is Vice-Chair.

The Board of Trustees will hold its first meeting of the year at the end of March to discuss ongoing issues of the CUPE Employees' Pension Plan, in particular the financial position of the plan.

As mentioned in my previous report, the Trustees of the CUPE Employees' Pension Plan filed the January 1, 2011 Actuarial Valuation with the Regulators in mid-December. While the Plan shows a going concern surplus as at January 1, 2011, it also shows a solvency deficiency. Special payments must be made, representing approximately \$2 million over four years and \$12.6 million over ten years.

The Pension Plan fund rate of return for year 2011 is negative 0.82%.

After serious analysis of the Plan's Fund performance, the Trustees have decided to change one of its Funds managers in early 2012. The new Fund manager is Guardian Capital LP.

This year will be election year for the Retiree and Alternate Retiree Trustee positions. The end of the three-year term for both positions ends on December 31, 2012. The process of the election will start early summer.

Preparations are underway for the 2011 Year-End Annual Report to Members and the Pension Plan Fund Audit.

Deaths

We share the sorrow of family and co-workers at the passing of Sister Marie Craig on February 8, 2012. Sister Marie will be remembered as a long-time member of the clerical staff in the Ontario Regional Office. Her passing is a loss to us all.

Sister Jennifer Murray Williams passed away on March 10, 2012. Sister Jennifer was a recently retired staff representative in the Hamilton Area Office.

Retirement

Brother Randy Millage, Peterborough Office – February 1, 2012
Brother Daniel Bernatchez, Moncton Area Office – March 1, 2012
Sister Jennifer Williams, Hamilton Area Office – March 1, 2012
Brother Charles Paradis, Québec Regional Office – March 1, 2012
Sister Lynda Neville, National Office – March 1, 2012
Sister Mervis White, Ontario Regional Office – March 1, 2012
Brother David Foley, London Area Office – April 1, 2012
Sister Ginette Watts, National Office – June 1, 2012
Brother Michel Parenteau, Québec Regional Office – June 1, 2012
Brother Claude Masson, Québec Regional Office – October 1, 2012
Brother Blair Redlin, B.C. Regional Office – December 1, 2012

CONCLUSION

Our list of retired staff continues to grow. In December and January alone, we posted a total of 31 permanent positions. I will ask the same favour of all National Executive Board members as I will be asking of delegates to the Division conventions.

I am asking you to work with new staff to make them part of our team. We are developing a new generation of CUPE reps. They will benefit from your experience – and your patience.

I also anticipate the move of staff into our newest building, the Ontario Regional Office in Markham, Ontario, which is scheduled for late April.

In the meantime, I look forward to seeing many of you again this month when we gather in Toronto to elect a new leader of the federal NDP. This ends my report to the National Executive Board.

Respectfully submitted,

CHARLES FLEURY
National Secretary-Treasurer

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