

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

Ottawa, Ontario
December 17 - 19, 2013

Sisters and Brothers:

It's hard to believe that our 26th Biennial Convention, celebrating our 50 years as a union, has already come and gone. It was CUPE's largest convention ever and one where we tried some new ideas.

The CUPE Village proved to be popular with delegates who participated in lunch-time events and also took advantage of some learning opportunities. A "Financial Officers" booth was hosted by Finance and Administration and Union Development staff. Visitors were able to use a "jeopardy" game to test their knowledge of how finances work in locals, including per capita, dues collection, ledgers, trustee responsibilities and more.

This combination of financial knowledge and understanding reporting obligations will continue to be important, especially since we are not yet finished with Bill C-377. The bill has returned to the Senate.

Governments are turning more and more to using the legislative hammer to attack workers' right to free and fair collective bargaining and control over benefits like pensions. Most recently, the Alberta government moved to legislate a two-year wage freeze for provincial employees, imposing the government's own final offer made in bargaining currently underway. It also brought in legislation affecting CUPE members who do not have the right to strike. This new bill makes it illegal to threaten a strike or to hold a strike vote.

Working from the Ontario Liberal playbook used for Bill 115, the Alberta Conservatives rammed these two bills through the provincial legislature in a matter of days.

It is more important than ever that, when we fight back, we fight smart. Both these financial statements and the budget that I will present at this meeting of the National Executive Board make that clear. Our union is strong, but our revenue growth is

slowing as a result of low wage increases and membership growth that has been mainly part-time workers. We must use our resources wisely and effectively to protect our members, their working conditions and their rights.

We are confronted by political attacks, with too many of our current governments trying to isolate unions from their members, public sector from private sector, and unionized workers from everyone else. The good news is that we are doing some of the right things.

We heard from many delegates at Convention and from members since then that our Fairness project is the right thing to do. We can counter the anti-union propaganda by re-connecting with our members one by one.

One member who never hesitates to talk about the value of her union is Sister Susan Shiner, who was a recipient of the 2013 Governor General's Persons Case Award. I had the honour of attending the ceremony at Rideau Hall because Sister Susan, a member of Local 3017 in St. John's, Newfoundland, wanted someone from her union to be present along with her family and friends. In her powerful remarks to an audience that included the federal Minister of Labour, Sister Susan said: "I am a worker who knows that my union, the Canadian Union of Public Employees, is a social movement committed to the equality of women, fighting for and achieving contracts that prohibit discrimination, raise wages, improve benefits, and provide safer working conditions, giving women more choice and more control in our lives."

Many of us who have been activists in our union take this information for granted, but it can be exciting news for many of our rank-and-file members. Let me quote from a report by a member who attended her first convention in Quebec City, which she said "was quite rowdy, and I loved it. I was also surprised to learn about all the aspects that CUPE looks at, from everything to pensions, health and safety, rights for women, people with disabilities, young workers, ethnic rights, lobbying the government for things that WE think are important, and even international labour rights."

Passing on this information is how the Fairness project starts. Our work with the rest of the labour movement through the Canadian Labour Congress on the campaign for secure retirements, on opposing regressive federal legislation, and on the television advertising campaign that has just concluded is also the right thing to do. In these financial statements, you will see that, in the interest of transparency, we have added two "fairness" lines to General Fund to account for these expenditures.

FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2013

General Fund

The total assets in the General Fund at September 30, 2013 were \$177.5 million compared to \$172.8 million at June 30, 2013 and \$170.2 million at December 31, 2012.

The bank balance at September 30, 2013 was \$15.5 million compared to \$14.6 million at June 30, 2013 and \$9.5 million at December 31, 2012. The bank balance includes \$10.6 million of cash reserved for retirement payouts, future employee benefit funding, the 2013 convention and the Regional Building Fund. The total investment set aside to fund Employee Future Benefit Expenses is \$42.8 million at September 30, 2013.

Fixed assets have increased \$1.6 million in the quarter. Construction began in late May on the Markham building envelope project with \$2.1 million spent to date. The project is expected to be completed in early January.

The total liabilities in the General Fund were \$125.3 million at September 30, 2013 representing an increase of \$5.3 million from the previous quarter. Much of the increase is due to the accrual of various expenses as well as the new mortgage payable for the National Office expansion building.

The provision for Employee Future Benefit expenses stands at \$67.9 million at September 30, 2013. As of the December 31, 2012 audited financial statements, the true actuarial liability was \$239 million, leaving a gap of \$177 million unrecorded in our financial statements at that time. Projections to be presented at this National Executive Board meeting suggest that the money we are continuing to put toward this liability, in accordance with our Roadmap, is allowing us to make slow and steady progress toward the target of recording the full liability on our balance sheet.

The Fund Balance at September 30, 2013 is \$52.2 million of which a total of \$3.0 million is restricted as follows: Convention and National Events Assistance Fund (\$981,000); Fightback Fund (\$457,000); Strategic Directions - Anti-Privatization Fund (\$39,000 unspent cumulative amount to September 2013); and the Regional Building Fund (\$1.5 million). Of the remaining Fund Balance, we have invested \$49.8 million in fixed assets, leaving an unrestricted deficit of \$516,000. This means that all of the equity in the General Fund is spoken for either in terms of being allocated for a restricted purpose or invested in fixed assets.

The operating deficit before provision for the Regional Building Fund and before taking into account unrealized gains on investments, is \$3.1 million. Per Capita revenue is under budget by \$ 2.6 million. At the same time, expenditures for the year to date were over budget by \$764,000.

We are watching the per capita revenue closely as this is the first time in many years we are running behind budget. The analysis done shows that revenue growth is slowing due to the impact of low wage increases that are the current reality in many areas of the country as well as the fact that much of our membership growth in recent years has been predominantly part time members. For the first time in many years, it is quite feasible that we may not meet our annual revenue budget.

Below are some of the more significant variances in expenditures:

1. Total spending for the Fightback Campaign as at the end of the third quarter of 2013, was \$1.8 million, all of which was spent out of the restricted equity amount carried forward from prior years. The balance remaining in this budget consists of the remaining \$457,000 carry over, in addition to \$1.0 million allocated for the current year.
2. The CLC Fairness Project and CUPE Fairness Project, both of which were unanticipated in the budget for this year, currently sit at \$331,000 and \$113,000 respectively. The commitment to the CLC Fairness Project is a total of \$994,830 in 2013. The remaining installments for the year have been paid out during the fourth quarter of the year and will appear in those financial statements.
3. The Strategic Directions – AP Fund is \$890,000 under budget as at the third quarter of the year. Plans submitted have been approved and spending is underway. There is now just \$39,000 remaining from budgets carried forward from past years.
4. Election spending remains \$650,000 under budget for the year to date due to the timing of elections during the year.
5. Office expenses are \$373,000 under budget for the year.
6. Retiree Health Benefits is over budget by \$470,000. There were thirty-four new retirees thus far in 2013 and demographics are such that this level of annual retirement is expected to continue into the future. In addition to the growing retiree population, health care costs continue to rise at a level in excess of general inflation at an average rate of 10.3%. This line item has been examined more closely during the 2014 annual budget exercise.
7. In Union Development, Staff Development is overspent by 59.6% or \$307,000, mainly due to a Senior Management Leadership Training project, as well as increasing Law Society requirements for continuing legal education for our legal staff. Both of these have been more closely analyzed as part of the 2014 budget process.
8. Additionally in Union Development, Member Facilitator costs are currently overspent by 69.7% or \$170,000. This is due to increasing demand for education in every region and for a broader range of workshops. The Steward Learning Series and the Fairness Project have also put additional pressure on this budget; however, as most of the activity in this area occurs in the first nine months of the year, no significant additional spending is expected for the remainder of the year.

9. Legal and Arbitration is currently \$170,000 over budget for the year as total spending approved by the NEB to date is \$1.2 million against the year to date budget of \$1.0 million. The budget for 2013 is a total of \$1.4 million.

National Defence Fund

Assets in the National Defence Fund as of September 30, 2013 totaled \$7.7 million, compared to \$7.3 million at June 30, 2013. Liabilities totaled \$6.0 million, leaving a Fund Balance of \$1.7 million. Total revenue for the first nine months of 2013 is \$6.8 million against expenditures of \$7.1 million, leaving a deficit for the year to date of \$352,000.

Cost-shared campaigns approved by the National Executive Board for the first nine months of the year totaled \$3.0 million, which is \$440,000 over the annual budget. Major Organizing expenses were \$2.1 million, while National Strategic Initiatives totaled \$1.3 million. Spending on Regional Strategic Initiatives totaled \$722,000.

National Strike Fund

Total Assets in the Strike Fund as of September 30, 2013 were \$70.4 million, compared to \$68.0 million at June 30, 2013. These assets consisted of \$11.0 million in cash, \$1.6 million in per capita receivable, \$57.8 million in investments.

Under Liabilities, there were accounts payable and accrued liabilities of \$423,000. Therefore, at September 30, 2013 the Fund Balance was \$70.0 million, compared to \$67.9 million at June 30, 2013.

Revenue into the Strike Fund, including investment income, was \$11.5 million for the first nine months of 2013. Expenditures for the same period were \$1.8 million. This results in a net surplus for the year to date of \$9.7 million, before taking into account unrealized investment losses of \$2.2 million.

STRIKES, LOCKOUTS AND SETTLEMENTS

Local 389, North Shore Winter Club, British Columbia – 16 members locked out since May 3, 2013 by an employer intent on concessions.

Local 4616-02, Township of Bonfield, Ontario – 16 members on strike since August 1, 2013. Efforts to reach a settlement have run into a mayor who will not budge, especially on the termination of five striking members.

Local 1281, Continuing Education Students' Association of Ryerson, two members locked out since September 30, 2013.

Local 4893, Town of Kensington, Prince Edward Island – 6 members locked out since December 3, 2013.

PER CAPITA ARREARS

For the quarter ended September 2013, the total arrears were \$6,158,628 which was a decrease of \$1,674,944 or 20.30% from the previous quarter ended June 2013. Total arrears have increased 13.50% as compared to September 2012.

TECHNOLOGY REPORT

The Draft Vision for Information Management Information Technology (IMIT) at CUPE along with an associated Strategic Plan generated good discussion on the direction forward at the November IT Steering Committee.

The IT development team's main activities have included significant work on the Fairness project. The team has completed work on the Coordinator/Staff lead module and the Training Session management modules. Both parts of the System are currently being tested. Development is getting started on the final system module, the mobile member module. Work also continues in the development of the new LUISII system. Final adjustments were also made to the Convention system at the beginning of October to ensure the Convention registration unfolded smoothly.

Planning has begun for work scheduled into the new year.

The analysis and understanding of Electronic Document Management System (EDMS) requirements at CUPE has been completed. The justification and cost of having an organization-wide EDMS was documented and presented to the IT Steering Committee in the form of a formal Business Case. An Information Management strategy and Roadmap have also been developed to support the path forward.

The review of proposals submitted for a new cupe.ca website is complete. Recommendations were presented, a vendor chosen and the contract is being finalized. The new website launch is expected in the Spring of 2014.

Also planned in 2014 is an upgrade to the Accounting System, including addition of a Purchase Order module, finalizing requirements for the Just Education System and enhancements to the CAIS System

On the IT Infrastructure front, work on the Mobility Policy continues with a goal of being able to provide CUPE staff with a broader choice of mobile devices (ie. iPhone and Android smartphones) without compromising any security over CUPE networks and data).

Work continues on the expansion of the Wide Area Network and an implementation plan is being finalized to move all CUPE offices with more than five staff onto the WAN.

A plan for the implementation of a wireless Infrastructure solution for 10 major sites is also being finalized. It will give guests to CUPE offices a path to the internet from key board-room and meeting rooms in larger offices. The new video conferencing units have been chosen and the implementation plan is being finalized. All of this work will kick off in early 2014.

PROPERTIES AND LEASEHOLDS

Properties

The interior renovations and staff re-allocation project at the National Office building was awarded to Ark Construction and is mostly completed.

The exterior re-cladding project for the Ontario Regional Office in Markham is in its final stages. Minor adjustments have resulted in some slight delay to the projected substantial completion which is now anticipated in January 2014. The project remains on budget.

Leaseholds

Construction of the interior improvements for the new North Bay Area Office in Ontario is complete and staff took occupancy of their new offices on October 30, 2013.

The lease for the Niagara Area Office, Ontario, has been renewed for an additional five-year period. The new lease term will come into effect March 1, 2014, expiring February 28, 2019.

The lease for the Peterborough Area Office, Ontario, has also been renewed for an additional five-year period, with a new lease term coming into effect March 1, 2014 and expiring February 28, 2019.

The lease for the Pembroke Area Office, Ontario, has been renewed for an additional five years, beginning July 1, 2014 and terminating June 30, 2019.

Discussions continue in Red Deer for the relocation of our office, which has been on a month to month lease for many years.

We are awaiting the landlord's response to our proposal to renew the current lease in Victoria, British Columbia to January 31, 2019.

We are exploring options for lease renewals or relocation for the Timmins Area Office in Ontario, Prince Albert Area Office in Saskatchewan, the Fort McMurray and Grande-Prairie Area Offices in Alberta.

NATIONAL CONVENTION AND OTHER CONFERENCES

Our 2013 Biennial Convention was a resounding success. CUPE saw a record 2,175 delegates and 181 alternate delegates registered in October. Historic Quebec City was the backdrop of our convention and both delegates and staff alike enjoyed the beauty of the surrounding area.

With the convention behind us, we are now moving towards preparing for our 2014 meetings and conferences. The Joint Committees' Meeting is scheduled to take place from April 1-4, 2014 at the Ottawa Convention Centre and we are in the midst of scouting a location for next year's first ever Sector Council Conference in the fall of 2014. It is sure to be an informative event as it will bring together members from all of our sectors to discuss key issues. These events are just two of several that will take place over the course of 2014. We are planning for a busy year ahead.

TRAINING AND DEVELOPMENT

The Union Development Department produced training materials and has facilitated "train the trainer" sessions for the Fairness project in all regions. Teams of member facilitators and staff are now equipped to organize and deliver two training sessions. The Local Leadership training helps local leaders map their workplace, identify communicators and develop an action plan. Following those sessions, training teams will deliver Communicator Training, which are half-day sessions to equip members to have one on one conversations with co-workers, friends and family about the value of unions.

In September, training teams assisted the Canadian Labour Congress in the delivery of their Together Fairness Works Local Leaders Seminars. UDD course developers continue to collaborate with the CLC on course content and development of on-line training tools.

A basic member facilitator training session was held in Calgary in November with members from the Maritimes, Manitoba, Saskatchewan and Alberta. This adds another much-needed 24 members to the pool.

In October, 23 members and 4 staff who are new trustees or pension committee members attended the annual weeklong pension trustee training in Charlottetown, PEI. Very large plans and very small plans from almost all regions were represented, which provided an opportunity for these new trustees to get a good understanding of their role representing the union on pension plans.

Manitoba and Saskatchewan staff training for CSU members was held this fall. Topics included trends in labour law, aboriginal awareness, mental health issues, and financial officers.

As reported previously, a comprehensive survey was conducted of all CUPE employees to determine IT training needs. The initial results show that employees are interested and encouraged by the CUPE's interest in this important part of their work. An overall response rate of 88% is significant and many provided extensive responses to the open ended questions. Once training is provided, we will be able to track participation in the recently revamped Human Resources Information System.

Dozens of members were involved in the two UDD booths in the National Convention Village. "Financial Officers" booth was hosted by Union Development and Finance and Administration staff.

At the Education booth, "Have your say! – Ed Talks" was a chance for members and staff to record on-camera their answer to the daily question, covering topics such as how we create more leaders in our locals, inclusion and diversity, celebrating history and looking to our future. UDD will be exploring ways to share the recordings and the many amazing insights we gathered.

Sometime in the 1970s, CUPE produced an in-house video with staff to illustrate what takes place at a typical arbitration case. This is used in a variety of training modules, most often union steward training. Over the summer, Union Development and Communications staff collaborated on producing a new version, which was released in mid-November. Thanks to all the staff who volunteered as actors and script advisors. The new video is available in both English and French with subtitles.

In early December, a reference group chosen from equality committees and staff began the process of developing a week-long Human Rights Workshop. The group first participated in a CAW (Unifor) course, and then spent time with UDD course developers to tailor the content to CUPE's needs. This collaboration with other unions is a model UDD has used for pensions and conflict resolution training.

PENSION ADMINISTRATION

The Joint Board of Trustees held its last meeting of the year in early December.

The trustees have had preliminary discussion on the preparation of the January 1, 2014 valuation which must be filed in 2014. A review of several important factors, such as the economic assumptions, may have a significant impact on the final results of the valuation.

Other major issues being seriously considered by the Trustees are changes to the Plan's Investment structure as well as Socially Responsible Investing initiatives.

I am pleased to report that the Pension Fund investment performance has been above the benchmark (standard set by the market against performances of other funds) and the median (middle value) pension fund in Canada since the beginning of the year. However, at October 1, 2013, the plan remains in a solvency deficiency position with a market value solvency ratio of 89.6%.

Effective January 1, 2014, Brother Amessan Gnawa from Technology, will be the new CSU-NC trustee, replacing Sister Cathy Remus who will be the alternate CSU-NC trustee. Brother Ian Clysdale has stepped down from his position of CSU-NC alternate trustee.

The Pension Administration staff are currently preparing for the 2013 year-end.

Deaths

A deep sadness hit the CUPE family on November 4, 2013 with the unexpected loss of Sister Donna Felder. Sister Donna had only recently taken on the job of Assistant Director in Organizing and Regional Services at National Office. Prior to that, she was an organizer in Ontario, and, before joining staff, an activist and member of the CUPE Ontario Executive Board. Donna will be remembered for her dedication and activism. Many of CUPE staff were able to attend a Celebration of Life in Hamilton and pass their condolences to her family. She will be sadly missed and fondly remembered.

It is with sadness that I also have to report the passing of:

Brother Howie Atkinson, retiree – October 9, 2013

Mrs. Janis Smith, spouse of late retiree Thomas Smith – August 3, 2013

Mrs. Margaret Jones, spouse of late retiree Grenville Owen Jones - November 7, 2013

Retirement

Sister Connie Credico, Alberta Regional Office – January 1, 2014

Sister Judy Barry, Alberta Regional Office – February 1, 2014

Brother Gordon Black, Maritimes Regional Office – February 1, 2014

Brother Robert Cull, Oshawa Area Office – February 1, 2014

Sister Margaret Evans, National Office – February 1, 2014

Sister Danielle Letarte, National Office – February 1, 2014

Brother Doug McLaughlin, Brandon Area Office – February 1, 2014

Sister Sylvie St-Pierre, Quebec Regional Office – February 1, 2014

Brother Jean-Pierre Cabana, Quebec Regional Office – March 1, 2014

Brother James Keenan, Barrie Area Office – June 1, 2014

Sister Daunine Rachert, Calgary Area Office – June 1, 2014

Sister Susan Ruffo, National Office – July 1, 2014

Sister Ann Robins, Manitoba Regional Office – August 1, 2014

CONCLUSION

Sisters and Brothers, our union continues to experience many changes with a wave of retirements continuing to roll through and a shift in our revenue growth. As we enter into 2014, we will carefully monitor both our per capita income and our expenditures.

We will have to show more discipline in requests approved for cost-shared campaigns and legal expenses. My office will be looking at campaigns with a “fairness” lens and will be reminding all those with cost-shares about the Defence Fund regulations requiring campaign evaluations. On the legal and arbitration front, we will ask more questions about when and why outside legal assistance is required. In both these areas, we have gone significantly over budget in the past few years, but it is an option we cannot continue to exercise.

The challenges to our rights as workers and as unions will continue to grow in 2014. But it's also the time that we must lay the groundwork for the 2015 federal election and our chance to reclaim Canada.

It's a tall order, but one we can meet head on. I hope that you have the opportunity in the coming weeks to take some rejuvenating rest with friends and family over the holiday season. And I wish you all the best for a Happy New Year.

Respectfully submitted,

CHARLES FLEURY
National Secretary-Treasurer

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