

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

Ottawa, Ontario
March 23-24, 2011

Sisters and Brothers:

In my last report, I described the balanced approach we found necessary to take as we prepared the budget for 2011. Only three months into the year, it's clear that it was the right approach, leaving us on a solid footing to meet the challenges our members are facing.

The same interests that led the world into financial chaos less than three years ago have turned their sights on public sector workers. Our union is ready to fight back.

While we have yet to receive audited financial statements (at the time of writing, we were still processing some 2010 invoices), we know we have a healthy bank balance. Our assets to liabilities ratio is 1.6:1. And, I am pleased to say, we can now write off more than \$2 million that has been showing as an account payable for 10 years because of a lawsuit filed by our former technology provider. That suit has been dismissed. We are also showing a preliminary surplus of more than \$1.5 million in the National Defence Fund.

All of this is good news because the fight is on, evidenced by the requests for cost-shared campaigns coming to this board as well as anti-privatization plans submitted by regions. Our Toronto locals are facing a multi-front fight from their new mayor starting with plans to contract out garbage collection and reaching into child care, housing and many other areas. In Winnipeg, the proposal to hand over wastewater to Veolia is still on the table. And right across Canada, municipalities face the possibility of losing their right to make decisions on behalf of their own communities under the Canada-Europe Trade Agreement (CETA).

Election planning is also underway in the five provinces where provincial elections are scheduled. We are getting all the tools in place to be ready in the event that a federal election is called. The federal budget came down yesterday (March 22) so anything is possible.

PAUL MOIST – National President / Président national CLAUDE GÉNÈREUX – National Secretary-Treasurer / Secrétaire-trésorier national

TOM GRAHAM – FRED HAHN – DANIEL LÉGÈRE – LUCIE LEVASSEUR – BARRY O'NEILL – General Vice-Presidents / Vice-présidents généraux



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Fair taxation has to be an issue for us in all of these elections because we have too many governments prepared to let their corporate friends off the hook while workers and their families shoulder the responsibility for programs and services. This is one of the messages that I am taking to our division conventions this spring. It's time for corporations to pay their fair share. The alternative is a continuing downward spiral while we all wait for the increased corporate investment in our economy that never seems to come.

This is an international fight and our healthy financial situation means that we can respond when the need is there. Last month, when the call came, we were able to immediately send a staff delegation to Madison, Wisconsin for a demonstration in solidarity with public sector workers whose basic right to belong to a union is under attack.

I myself have just returned from Haiti (yesterday's National Executive Committee meeting is the first I've missed since taking office). It was a fantastic visit because we were able to take the first steps in helping our sister union, CTSP, construct a new building to replace the one destroyed in last year's earthquake. But we did even more than that, taking with us a dozen used laptops for the union. At the request of CTSP, my executive assistant Michael Butler and CUPE administrative officer Line Deschamps ran a week-long training session in basic financial administration. We were also joined by Ronald Boisrond, a temporary research representative in Quebec who is also a member of Local 301 and a member of Montréal's large Haitian community.

I am extremely proud of the work that we have been able to do in that impoverished country and proud that our union has the means to do it.

On that note, I wish to inform the National Executive Board and all CUPE members that after much deliberation, I have decided that I will not offer again for the position of National Secretary-Treasurer at our National Convention in Vancouver. It is time to go before I overstay my welcome.

The members have given me a good run for 10 years. Once elected, I have never been challenged. It has been a pleasure to have been able to work with Brother Paul and all of you over the last eight years to move the organization in a good direction. Now is the time for a transition using a proper process in an orderly manner.

I look forward to helping to break in a new secretary-treasurer and thank you for the honour you have given me to serve as your National Secretary-Treasurer for the last 10 years. Of course, I still have several National Secretary-Treasurer's reports to present to this board in 2011 and will do so with pride.

FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2010

Note that all three Fund Financial Statements have not yet been audited and will change due to the fact that we are continuing to receive invoices for 2010, which will be reflected in the final audited financial statements.

General Fund

The total assets in the General Fund at December 31, 2010 were \$127.7 million compared to \$119.2 million at September 30, 2010. The bank balance at December 31, 2010 was \$13.7 million compared to \$9.9 million at September 30, 2010. Included in our cash position is \$10.9 million of funds reserved for specific purposes such as the Regional Building Fund, retirement payouts, employee future benefit funding, the 2011 convention, retroactive wages and replacement of furniture and technology equipment. Our investment monies reserved to fund Employee Future Benefit expenses continued to grow and now stands at \$24.9 million. As well, our investment in Properties increased by \$1.0 million in the quarter with getting the new capital leases in Sherbrooke and Sept-Iles onto the books and getting started on the new building for the new Ontario Regional Office in Toronto.

The total liabilities in the General Fund were \$78.5 million at December 31, 2010 compared to \$72.6 million at September 30, 2010.

The Fund Balance in the General Fund as of December 31, 2010 was \$49.2 million, compared to \$46.6 million as of September 30, 2010. Of this, \$7.8 million represents funds restricted to a specific usage (Convention and National Events Assistance, Fightback, Anti-Privatization and Regional Building Fund) and \$35.8 million is invested in capital assets. We continue to post a strong financial position as indicated in the Balance Sheet, which shows we have a ratio of total assets to total liabilities of 1.6:1.

The true surplus from 2010 operations is \$748,000. This is the surplus generated before taking into consideration the unusual gain from the dismissal of the OCMI lawsuit. Per Capita revenue is under budget by \$395,000. At the same time, expenditures for the year were under budget by \$1.6 million (1.0%).

Below are some of the significant variances in expenditures:

1. Fixed Travel is **underspent** by \$1.4 million. This budget line largely represents staff benefits that are collective agreement driven such as vehicle expenses, car and transportation allowances, per diem, etc. Historical analysis shows this budget line has been underspent in each of the past four years. In response to this trend, the 2011 budget has been reduced by \$431,000. We will continue to monitor this budget line into 2011 to ensure we now have the budget set at the appropriate level.

2. Election spending is \$182,000 **under** budget. The 2010 budget included provision for spending related to a federal election, which was not called.
3. The Anti-Privatization budget is almost fully spent for 2010. There is \$157,000 **unspent** from the 2010 budget, as well as \$254,000 from prior years available to be spent.
4. The Fightback Fund budget line is **underspent** by \$146,000.

Unusual Item – Ottawa Carleton Mortgage Inc.

I have been reporting updates on the legal action with our former technology supplier, Ottawa Carleton Mortgage Inc. and Bridgetech Systems for almost 10 years now. You will recall they commenced a lawsuit against us in 2002 for unpaid lease payments for the rental of computer hardware. It has been a long and drawn out process but we can now report that their latest legal suit against us has been dismissed and we no longer owe them anything for these invoices. We have been carrying an accounts payable on our books since 2001 equal to the amount they had invoiced us waiting for settlement of this claim. Now that the lawsuit has been dismissed, we can write off the amount we were showing as payable as it will not ever be paid to them. In accounting, this is treated as an unusual item and is shown at the bottom of our Statement of Income and Expenses. Because it is in our favour, it is shown as an addition to the surplus of \$2,307,786.

Unfunded Liability

We continue to make headway toward recognizing our obligations for employee future benefits and have booked an additional \$5.3 million of the liability in 2010. The booked liability stood at \$43.2 million at December 31, 2010 compared to \$37.9 million at December 31, 2009. We will not know what the actual total liability is at December 31, 2010 until the audit is completed and a valuation performed but the actual liability at December 31, 2009 was \$204 million.

Six years ago, the National Executive Board established a “road map” that laid out this slow but steady pace that will get us to our objective. We look forward to measuring our progress against the 2010 audited financial statements when they are completed.

National Defence Fund

Assets in the National Defence Fund as of December 31, 2010 totaled \$8.8 million, compared to \$8.3 million at September 30, 2010. Liabilities totaled \$5.3 million, leaving a Fund Balance of \$3.5 million. Revenue in 2010 has outpaced spending leaving a preliminary surplus for the year of \$1.7 million. We are still receiving invoices for 2010 which will be booked into the final audited financial statements.

Cost-share programs approved by the National Executive Board in 2010 totaled \$2.7 million, representing a budget overspend for the year. This overspend was offset by \$964,000 of funds unused from campaigns approved in prior years. Major Organizing expenses were \$2.1 million, while National Strategic Initiatives totaled \$1.2 million. Spending on Regional Strategic Initiatives also totaled \$1.1 million.

National Strike Fund

Total Assets in the Strike Fund as of December 31, 2010 were \$43.9 million, compared to \$40.2 million at September 30, 2010. These assets consisted of \$4.6 million in cash, \$1.9 million in per capita and accounts receivable, \$1.2 million due back from locals on final reconciliation of strike pay, \$187,000 receivable from the General Fund and \$36.1 million in investments. Under Liabilities, there were accounts payable and accrued liabilities of \$265,000, and payables to the Defence Fund of \$11,000. Therefore, at December 31, 2010 the Fund Balance was \$43.6 million, compared to \$40.0 million at September 30, 2010.

Revenue into the Strike Fund, including investment income, was \$12.8 million. Expenditures for the year are in a recovery position of \$462,000, resulting largely from a low level of strike activity in 2010 coupled with two large reconciliations received for strikes in a prior year whereby money is owed back to us from the Local. This results in a preliminary surplus for the year of \$13.3 million.

STRIKES, LOCKOUTS AND SETTLEMENTS

The members of Local 4576, Sainte-Anne-de-Madawaska Municipal Employees, remain in a lockout situation despite having reached a tentative agreement in February. The two remaining members, down from the original three, immediately ratified the deal and expected to return to work on March 14. However, the employer dragged its feet. On the same day as members expected to return to work, the Council, including the mayor and councilor who signed off on the tentative agreement, unanimously voted it down. The local is filing Labour Board complaints, the lock-out continues and our members are back on the picket line.

PER CAPITA ARREARS

The December 2010 arrears total at February 15 was \$7,529,022, which was a decrease of \$540,358 or 6.7% over the November 2010 arrears report. I thank all of you for this reduction of arrears.

TECHNOLOGY REPORT

Technology started off 2011 with continuing work on projects begun in 2010. We have started work on linking all of our smaller area offices into the main computer network and building a new secure virtual network to allow staff to use our systems both inside

and outside the office. Work has also begun on the design of our future backup site to be located in the new Ontario Regional Office. Once complete, this will ensure that, in the event of a disaster at our primary site at National, CUPE will be able to continue servicing our members without interruption.

Within development, design work of phase one of revamping the Local Union Information System (LUIS) is complete with the development team now beginning the development portion of the project. The target delivery date is still being determined. This will fix lingering issues with the database and bring many new features to the system including linking with its companion system (Maurice) in Quebec. The new Human Resources Information System (HRIS) remains on target of May 2011.

One of the key initiatives beginning in 2011 is the creation of an internal website referred to as an Intranet. This will create a single access point for CUPE's staff to access both applications and information such as news, forms, contacts and policies. In creating an Intranet, we are addressing the need to bring together the vast amounts of information and tools that staff need on a daily basis and foster increased communication and collaboration across the country.

PROPERTIES AND LEASEHOLDS

Properties

The project team has been selected and work is proceeding on the fit-up design of the new Ontario Regional Office in Thornhill. PCL Constructors Canada Inc. was selected as Construction Manager following an RFP and interview process involving three highly-recommended firms.

An extensive design process is currently underway by the architect and CUPE representatives. An appraisal of the property has been commissioned as an initial step in securing mortgage financing for the ultimate purchase of the building under the purchase option in the lease. We are tentatively aiming for the move from 305 Milner to occur in April 2012, well before the termination of our present lease at the end of August 2012. We will investigate finding a sub-tenant to take over our existing space to save on rent costs.

The land in Victoria has been listed for sale to prospective developers with caveats attached to the sale ensuring that the current co-owners will continue to have design input in the building to be constructed and input into other end users in the building as well as ensuring the developer will use union-friendly work forces in construction and finishing of the building.

In the interim and in view of the fact that the lease for the current Victoria Area Office in British Columbia is scheduled to expire on January 31, 2012, we will approach the Landlord to seek a twelve-month short-term renewal of the existing lease, expiring January 31, 2013.

With the budgeted expansion of the Human Resources department at National and recent special projects and campaigns, we are running short on space at our National Office. Very preliminary work has started on the planning to expand onto the vacant lot at the back of the property.

The Rouyn Area Office in Quebec will be moving into their new premises in the AIFTQ complex on February 26, 2011.

Leaseholds

In the Kitchener Area Office in Ontario, we acquired an additional 662 square feet of office space. Interior renovations to integrate the additional space to the existing floor layout will make it an overall more functional, efficient and effective workplace.

In the Peel Area Office in Ontario, renovations to the office premises will be underway shortly to make better use of the existing space. Improvements include the addition of a designated staff room with sink, additional meeting/library area and upgraded work room. The lease for this space has been renewed for an additional five-year period ending April 30, 2016.

In Sault Ste-Marie, Ontario, we have identified a potential site for relocation of the current area office. The tenant improvement drawings and lease negotiations are being finalized with construction of improvements targeted to start end of February and occupancy scheduled for May 2011.

The lease for the Carling Avenue office in Ottawa, Ontario (housing National staff assigned to Locals 503 and 5500) has been renewed for an additional one-year period. The new agreement will expire September 30, 2012.

The lease for the Oshawa Area Office in Ontario has been renewed for an additional five-year period ending December 31, 2016.

The lease for the Sudbury Area Office in Ontario has been renewed for an additional five-year period ending June 30, 2016.

The lease for the Calgary Area Office in Alberta has been renewed for an additional five-year period ending October 31, 2016.

The lease for the Terrace Area Office in British Columbia has been renewed for an additional five-year period ending July 31, 2016.

We are exploring lease renewals for the following offices: Barrie Area Office in Ontario and the Alberta Regional Office in Edmonton.

NATIONAL CONVENTION

Preparations for the 2011 convention have started. Convention will take place from October 31 to November 4, 2011 in Vancouver, British Columbia.

Representatives of the Persons with Disabilities National Working Group will visit the Vancouver Convention Centre, the location of our 2011 National Convention and a couple of convention hotels located nearby the Convention Centre, in order to make recommendations forwarded to the National Secretary-Treasurer's Office to help better ensure full accessibility so that we can improve the experience for our members with disabilities.

Overall planning and organizing of logistics have also begun. Some of the hotels booked for delegates are the Hyatt, Fairmont Hotel Vancouver, Four Seasons, Renaissance, and the Blue Horizon. Look for information on these hotels and hotel room bookings in the advance notice package that will be sent to all chartered organizations on May 4.

TRAINING AND DEVELOPMENT

This quarter's report will provide an overview of the many educational activities that our members and staff are involved in this spring.

Steward Learning Series – Our First Graduate!

Sister Paula Cox, Local 4177 (Nechako Lakes School District), Burns Lake, BC, will receive the first Steward Learning Series Completion Certificate! We know she will be the first of hundreds of union stewards to take advantage of this dynamic learning opportunity. Congratulations Sister Paula!

Code of Conduct

In June 2010, the National Executive Board approved a Code of Conduct that applies at all CUPE National events. Complaints made in accordance with the Code of Conduct are handled by a team of Ombudspersons. Selection and training of members and staff to work as Ombudspersons is well underway. Anyone interested in applying for this important role is encouraged to contact the National Union Development Department or their Education Representative.

Pension Trustee Training

We are offering our seventh training session for union pension fund trustees at the end of March in Vancouver. For the first time, in addition to training for trustees in defined benefit plans, we are offering training that meets the specific needs of our pension trustees and committee members in defined contribution pension plans.

Literacy Program

Labour Market Agreements

We have updated the research we commissioned on the Labour Market Agreements (LMA). We are tracking how the provinces are spending the transfers and to what extent the LMA dollars are supporting literacy. We are particularly concerned about the Strategic Training and Transition Fund (STTF). The STTF was part of the economic stimulus package and added \$500 million to the LMAs over two years. That money is coming to an end March 31, 2011 and with that will come cuts to literacy programs. For example, the multi-union, multi-employer project we are running in Ontario is funded with the STTF dollars.

Clear Language

Interest in clear communication continues to grow. Locals are particularly keen to learn strategies to make their collective agreements more accessible to members. We have revamped the course to better respond to the interest in clear contracts. The new course was piloted at the Saskatchewan Winter School and it is now ready to be offered in other regions.

Weeklong Schools

The following is a list of weeklong schools held in the Regions since the beginning of the year, as well as upcoming weeklong schools:

- Alberta Region – May 15 to 20
- Atlantic Region – May 29 to June 3
- British Columbia Region – May 29 to June 10 and November 13 to 18
- Manitoba Region – February 24 to 27 and May 29 to June 3
- Maritimes Region – June 5 to 10
- Ontario Region – May 8 to 13
- Saskatchewan Region – February 6 to 9 and May 29 to June 3

There are some exciting and innovative workshops being piloted, such as Social Media and Political Action.

Regional Highlights

We continue to engage members in creative ways in the regions. We helped members of Local 2525 address racial justice with their employer, Colchester Hospital in Nova Scotia. Eighty stewards and unit representatives at Saskatchewan's largest Local 3967 celebrated Year of the Steward by participating in a day-long learning

session. Member facilitators from the Prairie Provinces attended a skills building workshop on facilitating the Steward Learning Series. Ontario and Manitoba are piloting the first social media workshops, intended to help Locals address policy questions around these communication tools in addition to exploring new ways to reach members.

Labour College of Canada

The 2011 Intensive Program of the CLC Labour College begins in April with 40 union members from affiliates across the country. Nine CUPE members received scholarships which, combined with significant support from their Locals, enables them to attend.

Staff Training

Staff training sessions have been scheduled in all Regions. This is an opportunity for staff to sharpen their skills in bargaining and arbitrations and to add to their tool kits with training in new technology and helping Locals develop mentoring and leadership programs.

PENSION ADMINISTRATION

As of January 1, 2011, Brother Brian Edgecombe is Chair for the Joint Board of Trustees of the CUPE Employees' Pension Plan and I assume the position of Vice-Chair.

The Joint Board of Trustees will have its first meeting of the year early April. At this meeting, the plan's actuary will present:

- the CUPE Pension Fund investment performance results for year 2010 which is estimated at a gross rate of return of 10.79%;
- the solvency ratio which is estimated at 95.7% at January 1, 2011; and,
- the preliminary results of the January 1, 2011 valuation. The Plan will have to file the January 1, 2011 valuation as it must file at least every three years. The last filed valuation was at January 1, 2008.

Preparations are underway for the 2010 Report to Members and Pension Fund Audit.

Four pre-retirement seminars were held in 2010 for eligible pension plan members. The locations of the seminars were in Halifax, Toronto, and Montréal (two seminars were held in Montréal). A total of 50 participants, including spouses, attended the seminars.

Retirements

Sister Sylvie Marengère, National Office – February 1, 2011
Sister Leann Dawson, Nanaimo Area Office – February 1, 2011
Sister Beryl CotéJohnson, National Office – February 1, 2011
Brother Al Gallupe, Nanaimo Area Office – April 1, 2011
Sister Thérèse Rousseau-Brown, Maritimes Regional Office – April 1, 2011
Brother Ian Thompson, Ontario Regional Office – April 1, 2011
Brother Pierre Lalonde, Ottawa Area Office – May 1, 2011
Brother Denis Desjardins, Quebec Regional Office – June 1, 2011
Sister Linda E. Giudice, Maritimes Regional Office – June 1, 2001
Sister Louise Armour, National Office – July 1, 2011
Brother Bryan Brotzel, Prince Albert Area Office – July 1, 2011
Sister Melanie Medlicott, Saskatchewan Regional Office – August 1, 2011
Sister Danielle Theoret, National Office – December 1, 2011
Sister Joanne Martin, Ontario Regional Office – February 1, 2012

CONCLUSION

We and all of our members have a tough year ahead of us. Not only do we continue to bargain in a difficult climate, but the challenges on the political front will continue to mount. I take encouragement from our sisters and brothers in countries like Haiti who show us that despair is not an option; when trouble hits they must pick up and carry on. It's not because they are especially resilient or somehow carefree. It's because there is no choice; the alternative – giving up – is untenable.

Like workers around the world, our members are standing up to the right-wing bullies and to corporate greed. Our union is well positioned to ensure they have the tools to carry on the fight. We will never give up.

As I work to the end of my tenure as National Secretary-Treasurer, I will continue to do my best to make sure we are able to continue to negotiate good collective agreements and conduct successful fight-back campaigns.

I look forward to seeing all of you throughout the spring at division conventions. Most of us will also be together again in May at the Canadian Labour Congress convention in Vancouver where we will do our part in building a strong, united labour movement representing workers in the public and private sectors. We need it now more than ever.

Respectfully submitted,



CLAUDE GÉNÉREUX
National Secretary-Treasurer

:pmc/ceu