

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

Ottawa, Ontario
September 23 - 25, 2014

Sisters and Brothers:

I hope that you were able to take some well-deserved time off and that we all start the fall rejuvenated by quality time with family and friends. We begin the final quarter of 2014 inspired by the upsurge in activity that CUPE has taken on over the summer months. Thousands of CUPE members across the country spent the summer reaching out to our neighbours and building links with our community allies and the public. Many of us represented our union by attending Pride events, local union barbeques and cultural festivities culminating in powerful Labour Day marches and events across the country.

Over the summer, many of us also took up the challenge to participate in the ALS Ice Bucket challenge which is raising millions of research dollars. This is another example of how we can build community alliances and support.

Supporting Young Workers

At this time of the year, we recognize that as students return to post-secondary school, many of them are facing rising tuition costs and an escalating cost of living. We are mindful that increasingly students are not able to find summer jobs and this puts an additional burden on young people and their families. It is unacceptable that so many young people cannot find work or are underemployed. At the same time, many of our members who work in the post-secondary sector face instable, contract and precarious work. One of our greatest challenges in CUPE is to continue to fight for the rights of our young members and all young people across the country.

When experienced activists support and encourage young CUPE activists to get involved in struggles in our workplaces and communities, new leaders are born and our union is stronger. It is the time for all of us to think about how we can increase what we do to support young workers and their struggles. Our *Fairness Project* and our dynamic Union Development programs are two key areas where CUPE National continues to make significant contributions to these efforts.

Our Union Development Department is also reviewing programs and courses with the intention of developing and adapting shorter modular based courses which may be of particular interest to smaller locals with limited resources. Our dedicated team of educators continue to create opportunities for increased access to courses for our members who work multiple jobs.

Bargaining Support

At our bargaining tables many Locals continue to face employers who are intent on gutting our collective agreements and trying to force us to accept two-tiered wages, benefits and pensions. CUPE members' wages continue to stagnate resulting in, amongst other problems, a slower growth in revenue for our union. In addition, the rising numbers of our members who face part-time, casual and contract work has a destabilizing effect on their lives, workplaces, our union and our financial resources.

We hope that some of these challenges and strategies for responding to this at bargaining tables and in our communities can be shared at the upcoming National Sector Council Conference in Toronto between October 6th and 9th.

In June I had the pleasure of returning to the annual CUPE Western Municipal Conference where dozens of CUPE municipal locals gathered. While contracting-out and privatization remain significant challenges, CUPE leaders at this gathering shared strategies for defending pensions and building alliances between unions and with the community.

The rising number of cost-share applications submitted this quarter is evidence of the extent to which CUPE is ready to stand up to the challenges we are facing right across the country. We are committed to dedicating available financial resources into these campaigns. As of September 2014, if the National Executive Board approves all campaigns submitted, we will have overspent the \$2.6 million dollars allocated for cost share campaigns in this year's budget by \$300,000 for a total of over \$2,9 million dollars.

As we move into a time where financial resources become more limited, we will continue to review all applications for financial resources to ensure that campaigns:

- Coordinate between Locals and Divisions within regions where possible
- Build in the principles and goals of the *Fairness Project* to increase membership participation
- Allocate all advertising and media resources to the most effective formats based on the local media conditions

Increasing Financial Transparency

We continue to work towards increasing the financial transparency and accountability of CUPE. In this effort, we continue to work to increase the number of local union Trustee Reports that are submitted annually. We will assess the challenges and report back to the NEB in the near future.

Improving Our Technology

As we face increasing attacks from right wing governments and employers across our vast country, the way we communicate and the technology tools that we use must be up to the challenge. You will see later in this report that significant progress is being made in the development of the Electronic Document and Records Management System, video conferencing, replacement of old hardware and upgrading of accounting software as well as the project to significantly upgrade the Local Union Information System (LUIS).

Community Allies

CUPE is proud that we were a key sponsor of the People's Social Forum, bringing together thousands of activists from labour, aboriginal, environmental, student, seniors, and many other community allies in Ottawa in August. Along with our significant financial commitment that supported the Forum, CUPE staff devoted themselves to the organizing of the event and ensured that our issues such as child care, health care, anti-privatization and alternative trade were showcased there. Hundreds of CUPE leaders, activists and staff participated. This labour-community alliance will be instrumental as we build for the upcoming federal election.

Politics Matters

As you know, CUPE National has allocated significant financial and people resources to building our membership participation in the political process. However, many members and the public still feel that their vote doesn't make a difference. Many CUPE members participate in elections, however, we have much work to do to motivate our allies, friends and community members to get involved.

2014 is a major year for municipal elections – PEI, Ontario, Manitoba and BC are all going to be electing local governments this fall. CUPE has provided significant support to make sure that our voices are heard.

In Quebec we are witnessing a surge of union solidarity and coordinated actions in the face of the Liberal government's and municipal attempts at dismantling our defined benefit pensions. We anticipate more fallout in the days ahead from the recent provincial budget where "austerity" is the key focus.

Preparing for Budget 2015

In the months ahead we will be conducting our extensive budget consultation process across the country. CUPE's financial growth is slowing down due to wage restraints and attrition. While our resources might be more limited than at other times in our history, we are on a solid financial foundation that we will safeguard by working within our means.

FINANCIAL STATEMENTS FOR THE QUARTER ENDED JUNE 30, 2014

General Fund

The total assets in the General Fund at June 30, 2014 were \$187.4 million compared to \$184.0 million at March 31, 2014 and \$183.7 million at December 31, 2013. The bank balance at June 30, 2014 was \$8.0 million compared to \$10.6 million at March 31, 2014 and \$10.2 million at December 31, 2013. The bank balance includes various internal cash reserves for retirement payouts, future benefit funding, 2015 convention, a property management reserve and the Regional Building Fund. The total investment set aside to fund Employee Future Benefit Expenses is \$51.2 million at June 30, 2014.

Fixed assets have remained relatively static during the quarter. The building envelope replacement work on the Ontario Regional Office is now complete. Invoices are still being processed and the project will come in on budget.

The total liabilities in the General Fund were \$131.8 million at June 30, 2014, in comparison to \$129.2 million as at the previous quarter end.

The provision for Employee Future Benefit expenses stands at \$76.8 million at June 30, 2014. As of the December 31, 2013 Audited financial statements, the true actuarial liability was \$251 million, still leaving a significant gap of \$174.2 million unrecorded in our financial statements. Projections presented at the last NEB meeting suggested 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 June 30, 2014 is \$55.6 million of which a total of \$3.7 million is restricted as follows: Convention and National Events Assistance Fund (\$1,100,180) the Fightback Fund (\$341,010), the Regional Building Fund balance (\$2,250,000). Of the remaining Fund Balance, we have invested \$53.2 million in fixed assets leaving an unrestricted balance of negative \$1.3 million. 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 tied up in fixed assets.

The operating surplus, before provision for the Regional Building Fund and before taking into account unrealized gains on investments, is \$277,000. Per Capita revenue is over

budget by \$1.6 million, and total revenue is over budget by \$2.7 million, due to higher than expected investment earnings. At the same time, expenditures for the quarter were over budget by \$1.9 million.

Below are some of the more significant variances in expenditures:

1. The Strategic Directions – AP Fund is \$606,000 under budget at the end of the first half of the year due to time spent reviewing and approving plans submitted at the beginning of each year. Work in this area is now underway. Much of the remaining funds have been committed to projects taking place during the rest of the year.
2. While commitments have been made to various campaigns, few expenses have been received for the Fightback Fund as at the end of the second quarter of 2014; therefore it is under spent to date by \$288,000.
3. Office expenses are \$158,000 under budget for the year.
4. Election spending is \$108,000 under budget for the year to date due to the timing of elections expected to take place during the year. The election budget has been committed and there are no funds left in this budget line.
5. Work continues on the CUPE Fairness Project. At the end of the second quarter, spending sits at \$348,000 over budget as the remittance of the CLC special levy was due on June 1st.
6. Under Union Development, Staff Development is \$370,000 over budget due to staff meetings and group training that have taken place during the first half of the year, as well as in relation to the timing of payments made for these events, compared to the timing of similar payments made in prior years.
7. Operational Travel is over budget by \$381,000 due to the volume of travel undertaken by staff during the first half of the year, particularly for attendance at staff meetings and the 2014 Division Conventions.
8. National Committees is \$396,000 over budget predominately due to increased costs related to the bi-annual All Committees' Meeting.

National Defence Fund

Assets in the National Defence Fund as of June 30, 2014 totaled \$8.5 million, compared to \$8.3 million at March 31, 2014 and \$8.2 million at December 31, 2013. Liabilities totaled \$6.6 million, leaving a Fund Balance of \$1.9 million. Total revenue for the first half of the year is \$4.7 million against expenditures of \$4.5 million, leaving a small surplus for the year to date of \$222,000. We also incurred unrealized gains on investment income of \$60,000 leaving a total surplus for the year to date of \$282,000.

Cost-shared campaigns approved by the National Executive Board for the first six months of the year totaled \$2.0 million of the annual budget of \$2.6 million. Major Organizing expenses were \$1.0 million, while National Strategic Initiatives totaled \$1.0 million. Spending on Regional Strategic Initiatives totaled \$385,000.

National Strike Fund

Total Assets in the Strike Fund as of June 30, 2014 were \$80.5 million, compared to \$77.5 million at March 31, 2014 and \$73.2 million at December 31, 2013. These assets consisted of \$2.0 million in cash, \$2.0 million in per capita receivable and \$76.5 million in investments.

Under Liabilities, there were accounts payable and accrued liabilities of \$1.2 million and a payable to the General Fund of \$15,000. Therefore, at June 30, 2014 the Fund Balance was \$79.3 million, compared to \$77.5 million at March 31, 2014 and \$73.0 million at December 31, 2013.

Revenue into the Strike Fund, including investment income, was \$7.5 million for the first half of the year. Expenditures as at June 30, 2014 totaled \$3.4 million. This results in a net surplus for the year to date of \$4.1 million, before taking into account unrealized investment gains of \$2.2 million dollars.

STRIKES, LOCKOUTS AND SETTLEMENTS

Local 608, Naramata Centre, British Columbia – 30 members remain on strike as of May 15, 2014 against a move by the employer, United Church of Canada, to contract out services such as food and beverage and grounds maintenance.

Local 957, Hydro-Québec technicians went on strike as of September 5, 2014. Issues on the table are pension, contracting out and workload.

Local 1294, University of Quebec in Montreal (UQAM), 2,000 members including trades, office and professional workers went on strike for one day on September 3, 2014 to demonstrate against the impasse they are in after 15 bargaining sessions.

Local 1490, Township of Black River-Matheson – 19 members have been locked-out since August 11, 2014. CUPE members provide vital services such as road maintenance, building permits, by-law enforcement, parks and recreational facilities.

Local 1764, Regional Municipality of Durham – 873 members including paramedics, daycare staff, court services workers, public health inspectors and administrative workers went on strike from June 19, 2014 to July 11, 2014 in an effort to resist concessions.

British Columbia K-12 - BC CUPE school board locals (representing 8,512 members) have achieved a provincial settlement and local bargaining continues with a deadline of November 30, 2014 for completion. The K-12 Locals are also honouring the picket lines of the BC Teacher Federation (BCTF) who have been on strike since June. Our picketing members are receiving strike pay. (CUPE Locals involved: 15, 173, 379, 382, 389, 401, 407, 409, 411, 440, 476, 523, 593, 606, 716, 779, 788, 801, 847, 947, 1091, 1260, 1851, 2020, 2769, 3234, 3523, 3570, 3742, 4165, 4227, 4653, 4990, 4991, 4992, 5101, 5150). As of the printing of this report, the teachers have reached a tentative agreement.

PER CAPITA ARREARS

For the quarter ended June 2014, the total arrears were \$7,715,484, which was an increase of \$1,798,877 or 30.40% from the previous quarter ended March 2014. Total arrears have decreased 1.51% as compared to June 2013.

TECHNOLOGY REPORT

The Information Management Information Technology (IMIT) Steering Committee continue to meet regularly to discuss, be updated on, and govern the 2014 IT Projects for CUPE.

The first three quarters of this calendar year have seen a number of key IMIT accomplishments. Some of those accomplishments are noted below:

- LUIS II – the upgrade project to revamp Local Union Information System (LUIS) is nearing completion with implementation options before the end of the 2014 calendar year being reviewed.
- Fairness System - a database has been designed and built and is now in production to capture important data from the Fairness Project. The project is now shifting to developing reporting capabilities for the System.
- cupe.ca Redesign and Implementation – the new website was launched in the early summer and is getting great reviews.
- Electronic Document Management and Records Management System (EDRMS) Project Initiation – the first phase of this key strategic project is well underway and will finish in the first quarter of 2015 with the development of requirements for an Electronic Document and Records Management System. This in turn will allow CUPE to select a software tool.

- Managed Mobility Solution (MMS)/New Mobility Policy – a new mobility strategy has been introduced which will allow CUPE to move away from a Blackberry only platform and introduce the concept of device choice which will include Apple, Android, Windows and Blackberry. Plans to launch are beginning with the Quebec Region this fall and are planned for the rest of the country soon.
- The Video Conferencing project is preparing for implementation with training being scheduled in September. Video conferencing will be available in Quebec, Calgary, Dartmouth, Edmonton, Fredericton, Winnipeg, Sudbury, Regina, Saskatoon, St. John's, CUPE National, British Columbia Regional Office and Ontario Regional Office.
- Desktop/Laptop Strategy and Rollout – all hardware older than three years has now been refreshed.
- LTD System Implementation – a comprehensive system has been developed to dovetail with the HR Avanti database to provide for the day-to-day administration of staff on LTD. The system will go into production shortly.
- Dynamics (Finance System) Upgrade – the Accounting Software has been updated to the latest version and next steps include add on modules to upgrade our financial systems such as an electronic payment system and a project management system to respond to the needs of the union.

Focus for the IMIT Steering Committee in this last quarter of 2014 is now shifting to begin the updating and aligning of the Vision and Strategy for IMIT at CUPE as well as, planning and budget estimating for the 2015-2017 IMIT Operational Plan development.

PROPERTIES AND LEASEHOLDS

Properties

In Markham, the exterior re-cladding of the building for the Ontario Regional Office is complete save and except for clearing the final deficiencies and completing the work on the skylights.

Leaseholds

In St. John's, NL, our landlord informed us he is planning to carry out extensive renovations to the property following which he intends to repossess the building for his own use. We hired a realtor to canvass the city to find alternate space to relocate into and have now identified a candidate property. We are in the final stages of negotiation of a lease approximately 4,000 square feet of office space on the 1st floor of a three-story newly constructed and highly visible modern, energy efficient designed building, conveniently located close to major city transportation routes, downtown and the airport.

The new premises will be designed to suit CUPE's spatial requirements and will include flexibility to accommodate growth, improved meeting facilities, smaller meeting and break-out areas, and will incorporate energy efficient initiatives. We are negotiating terms with the landlord.

Construction of the interior improvements for the Grande-Prairie Area Office is now underway with occupancy targeted for the end of October 2014. We have entered into a ten year lease agreement and the landlord is contributing \$100,000 towards the \$254,000 total estimated cost of the tenant improvements.

In Red Deer, Alberta, interior improvements continue to progress for the new Area Office. We have reached substantial completion and occupancy is scheduled for September 25, 2014. We have secured a five-year lease with the Central Alberta Trades and Labour Society. Since this is our current landlord and we share the new and existing space, the term for our current location will end in conjunction with occupancy at the new location.

The lease for the Prince Albert Area Office in Saskatchewan was renewed for an additional five-year term ending June 30, 2019.

In Burnaby, British-Columbia, we continue our investigations in identifying potential alternate accommodations for the relocation of the British Columbia Regional Office.

We continue to explore options for lease renewals or relocation for the Dalhousie Area Office in New Brunswick, for Timmins, Lakehead, Kenora, Kitchener, Sault Ste-Marie and Windsor Area Offices in Ontario and for Prince George Area Office in B.C.

NATIONAL CONVENTION AND OTHER CONFERENCES

During the fall, we are working hard at CUPE, planning for a number of upcoming meetings that will take place over the next few months.

I was pleased to participate in the Employee Assistance Program Conference that took place in Charlottetown PEI from September 8-12 where our staff EAP referral agents and Committee members came together for a dynamic session of training and planning with a focus on prevention strategies.

The CUPE Sector Council Conference isn't far behind, taking place in Toronto on October 6-9. With only a few weeks to go, we are working intensely to ensure that the conference runs smoothly for both the CUPE members attending as well as CUPE staff that will take part in this event.

Our blocks of rooms at both the Sheraton Toronto Hotel and the Hilton Hotel have sold out and at the time of writing this report we were almost at full capacity. We are

sure to have a great turnout and successful event. In addition to the Sector Council Conference, we are planning meetings for our 17 national committees as well as a number of branch meetings taking place this fall.

TRAINING AND DEVELOPMENT

Education and Training

Education Representatives have provided a wide array of fall programming options for CUPE members across Canada. The core educational program of the Steward Learning Series, Financial Officers, Collective Bargaining, Occupational Health and Safety, and Human Rights helps every local have the solid foundation it needs to provide great representation for its members.

New Workshops

Union Development Department (UDD) continues the work to create and pilot new workshops in the areas of collective bargaining, human rights and occupational health and safety.

UDD is working with other CUPE departments to follow-up on national convention resolution No. 151 that calls for the development of a CUPE Mental Health Strategy and to engage in education with our members. Work to date includes piloting two new modules in our Steward Learning Series: “Understanding Mental Health” and “Creating Psychologically Healthy and Safe Workplaces”. A “Mental Health at Work” workshop was provided at two staff training sessions in June.

Labour College

There was no Labour College in 2014 as the model for this over 50 year old institution was no longer financially sustainable and a complete review was required. The Labour College of Canada Advisory Committee continues to work on creating a proposal on a new model for the Board of Governors to consider later this year. We want to keep some of the strong in-person cohort experience while building in effective online educational practice.

Ombudsperson Program

UDD is conducting a needs assessment on the ombudsperson program to determine the number and types of events in which ombudspersons are utilized in the regions. This will be matched against updated regional lists of ombudspersons and will allow UDD to tailor future training to fill geographic gaps in the group of ombudspersons.

PENSION ADMINISTRATION

At the September 17, Joint Board of Trustees meeting, the trustees had a final review of the assumptions and methods to be used for the January 1, 2014 actuarial valuation which must be filed by September 30, 2014.

The Trustees also met with the Settlers on September 17 for the Annual Meeting. They discussed the final results of the Actuarial Valuation, the 2013 Report to Members, as well as other activities of the CUPE Employees' Pension Plan.

Following a thorough analysis of the Plan's Investment structure, the Trustees have decided to transfer a percentage of the total fund from each of the two current Balanced Managers (Letko Brosseau and Guardian Capital) to an enhanced bond mandate, to get better returns on investments. TD Asset Management was recently selected as the new enhanced bond manager.

The 2013 Report to Members and the Financial Statements Year ended December 31, 2013 are both available for staff to consult on the CEPP website at: www.cepp.ca.

The 2013 pension annual statements were mailed to all active plan members in June and to all retired and deferred plan members in August.

Deaths

Brother Jacques Sirois, retiree, Moncton Area Office – July 19, 2014
Brother Daniel MacLean, retiree, Sydney Area Office – July 23, 2014
Mr. Boyd Jackson Brooks, spouse of retiree Marjorie Brooks – August 22, 2014

Retirement

Sister Danielle Laramée, Quebec Regional Office – August 1, 2014
Sister Diane Lamoureux, National Office – October 1, 2014
Sister Paulette Charbonneau, National Office – October 1, 2014
Brother Don MacAskill, Alberta Regional Office – December 1, 2014
Sister Diane Thériault, Sudbury Area Office – January 1, 2015
Sister Linda Craig, Quebec Regional Office – January 1, 2015
Sister Mary Catherine McCarthy, National Office – February 1, 2015
Sister Johanne Touchette, National Office – April 1, 2015
Sister Rhonda Spence, British Columbia Regional Office – July 1, 2015
Brother William (Bill) Sumerlus, Manitoba Regional Office – July 1, 2015

CONCLUSION

There continue to be big personnel changes within the NSTO. Our Administrative Assistant Paulette Charbonneau will be retiring after many years of devoted and energetic service to CUPE. Paulette will be very sorely missed and we wish her all the very best as she starts the next chapter of her life. I am very happy to announce that Marie-Anne Ruelland has been promoted within our department to fill this position.

We are ready to face the upcoming challenges and we will use them as an opportunity to rely on all of our collective knowledge and experience as we ramp up to take on Harper, protect our pensions and hard fought rights and working conditions in our communities and workplaces.

Respectfully submitted,

CHARLES FLEURY
National Secretary-Treasurer

:pmc/ceu