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**NATIONAL SECRETARY-TREASURER'S REPORT
TO THE
NATIONAL EXECUTIVE BOARD
Ottawa, Ontario
March 13-14, 2019**

Dear Sisters, Brothers and Friends:

Division Conventions

Division Convention season is underway, with the Saskatchewan Division convention which took place during the first week in March. The conventions provide an opportunity for delegates to set the direction and priorities for their Division for the year ahead.

I was very pleased to see that thanks to recent constitutional amendments, the CUPE Saskatchewan Division convention allows for non-voting young worker delegates to be part of a local's delegation to convention. As well as providing mentoring opportunities, this addition provides a welcome infusion of new ideas and energy to the convention deliberations. Congratulations to every local who brought young workers to convention.

Staff Meetings

It was an honour to travel to each region to meet with our staff as Mark and I do each year. I was able to thank our staff for the work they do each day for CUPE, and to acknowledge the very difficult challenges they face in regions where we are under attack and staff are in the front lines of the struggle each day. Even in provinces such as British Columbia and Alberta where we have worker-friendly governments, much more is expected of CUPE staff as we build better provinces for all. My message also addressed some of the challenges we will face this year as some regions will be going to the polls, including the fall federal election. One of the highlights of this year was joining the Alberta staff at a rally to support the Alberta Premier Rachel Notley in Calgary.

MARK HANCOCK

National President/Président national

CHARLES FLEURY

National Secretary-Treasurer/Secrétaire-trésorier national

DENIS BOLDOC, FRED HAHN, JUDY HENLEY, DANIEL LÉGÈRE, MARLE ROBERTS

General Vice-Presidents/Vice-présidences générales



Significant time was dedicated at each staff meetings to reviewing and discussing the recent report of the *CUPE National Secretary-Treasurer's Taskforce on Staffing*. In-depth discussion took place on many of the priority areas. While many of the recommendations will be implemented centrally, the staff were invited to review the recommendations to see what aspect of the report could be worked on in each region.

I was also happy to report on the significant investment in technology software tools that have been achieved. The new systems improvements help us all work better and give staff the information needed to assist them with their work.

CUPE Alberta All Presidents Meeting

In mid-January, I had the opportunity to attend the CUPE Alberta All Presidents' meeting. In an effort to increase participation of young members, CUPE Alberta sent out a challenge to all locals to invite a young worker to join them to attend this annual meeting. A significant number of locals took up the challenge and the participation of young workers was impressive. I also attended the Young Workers Forum evening event which was part of the event.

My message to all participants included a reminder that CUPE locals across the country face many challenges including contracting out, funding freezes and cuts, austerity measures, increased workloads, violence in the workplace and the most effective response requires tougher fights and stronger strategic bargaining plans. Having an NDP provincial government in Alberta shows the enormous difference in the lives of working people when we have a friend in power. The gains we have made under Rachel Notley's government are impressive and we are proud to support CUPE Alberta in the campaign to mobilize our members and to re-elect the NDP this spring.

The Multi-sector Pension Plan

In early January, I met with the CUPE Trustees of the Multi- sector Pension Plan (MSPP). Two decades ago, in response to the need for a secure registered pension plan for the members of the broader public sector that were not traditionally covered by defined benefit plans, including members working in not for profit organizations, the MSPP was established by CUPE and SEIU.

These are workplaces with high numbers of women, racialized and precarious members. The plan has expanded so that nearly 200 workplaces representing more than 15,000 workers are now covered.

CUPE is conducting a review of which of our workplaces who could still benefit from MSPP coverage – typically workplaces with RRSP or Defined Contribution, or no pension coverage whatsoever. This effort will be made to increase participation in the MSPP and improve pension coverage for CUPE members.

FINANCIAL STATEMENTS FOR THE QUARTER ENDED DECEMBER 31, 2018

General Fund

The total assets in the General Fund at December 31, 2018 were \$276.3 million compared to \$290.4 million at September 30, 2018 and \$279.4 million at December 31, 2017. The items of significance are discussed below.

The bank balance at December 31, 2018 was \$17.5 million compared to \$28.2 million at September 30, 2018 and \$27.0 million at December 31, 2017. The bank balance includes various internal cash reserves which are set aside for retirement payouts, future benefits funding, property management, the 2019 Convention, the Regional Building Fund and the OSBCU liability.

The total liabilities in the General Fund were \$219.0 million at December 31, 2018, down from \$235.0 million at September 30, 2018 and \$225.0 million at December 31, 2017.

The Employee Life and Health Trust for the OSBCU has now been established. Of the more than \$7 million start-up monies that CUPE has been managing, approximately \$1.0 million was spent on start-up costs, and a total of \$5.6 million has been transferred to the Trust. As at the end of the year, CUPE has held back \$1.0 million of the original funds received until all final costs have been submitted. As previously reported, this amount is showing as a liability on our Statement of Financial Position until such time as all reconciliations are complete and we are in a position to transfer the final funds to the Trust.

The true liability for Employee Future Benefits at December 31, 2017 stood at \$192.5 million, in comparison to \$186.0 million at the end of 2016. The December 31, 2017 Balance Sheet has recorded a liability of \$140.1 million leaving an unrecorded gap of \$52.4 million. Thus far in 2018 we have recorded an additional \$4.9 million of the liability, bringing the total recorded liability as at December 31, 2018 to \$145.0 million. As part of the annual audit process, these figures will be updated shortly to calculate the progress to December 31, 2018 and will be included in the report on the audited Financial Statements.

The Fund Balance at December 31, 2018 is \$57.4 million of which a total of \$1.8 million is restricted as follows: Convention and National Events Assistance Fund, \$847,000 and Regional Building Fund, \$937,500. Of the remaining Fund Balance, we have invested \$70.9 million in fixed assets leaving a negative unrestricted balance of \$15.3 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 preliminary operating surplus (before the provision for the Regional Building Fund) for the year is \$3.0 million, as compared to a budgeted surplus of \$758,000.

Per Capita revenue is ahead of budget by \$2.9 million, and total revenue is under by \$5.7 million due primarily to an unrealized loss of \$9.5 million caused by the market drop last fall.

Salaries are over budget by \$1,158,000, current benefits over budget by \$51,000 and future benefits excluding the unrealized investment loss are over by \$2.0 million. Directors and Representatives salaries are over budget by 1.1% (\$536,000). Administrative and Technical Salaries are 0.4% (\$40,000) over budget and Clerical salaries are over by 2.8% (\$497,000). Vacation Relief is over budget by 0.9% (\$14,000).

Cumulatively, the other operating expenses are approximately \$1.6 million under budget. Below are some of the more significant items:

1. Fightback Fund is \$1 million under budget. This budget was not used in 2018.
2. Strategic Directions is \$653,000 under budget.
3. Operational Travel is now \$642,000 under budget.
4. Election Spending is \$175,000 under budget.
5. Office Expenses are \$151,000 under budget.
6. Professional fees are \$537,000 over budget.

National Defence Fund

As at December 31, 2018, we have \$14.4 million in Total Assets compared to \$15.4 million at September 30, 2018 and \$13.9 million at December 31, 2017. The cash balance at December 31, 2018 was \$280,000 compared to \$1.6 million at September 30, 2018 and \$1.2 million at December 31, 2017. In addition, we have investments totalling \$12.0 million in the books at December 31, 2018, a slight increase of \$67,000 over the prior period.

Under Liabilities we have accounts payable and accrued liabilities of \$1.7 million, down from \$2.4 million at September 30, 2018 and \$2.1 million at December 31, 2017. There is also \$8.1 million in cost-sharing campaigns' liability, up from \$6.6 million at the end of the previous quarter. Finally, there is a \$113,000 liability owed to the General Fund at the end of December which has since been transferred back.

At December 31, 2018 the Fund Balance was \$4.5 million, compared to \$6.2 million at the end of September 30, 2018 and December 31, 2017.

Cost-shared campaigns approved by the National Executive Board in 2018 totalled \$5,995,534 against an annual budget of \$3.5 million. However, there was \$897,611 in unused funds from prior years cost-shared campaigns and one political action campaign for \$10,854 that have been closed out during the year to date. Major Organizing expenses were \$4,695,867 against the annual budget of \$3.6 million. National Strategic Initiatives totalled \$2,106,183 against the annual budget of \$2.9 million. Spending on Regional Strategic Initiatives totalled \$1,996,171 with a budget for the year of \$2.1 million.

National Strike Fund

Total Assets in the National Strike Fund as of December 31, 2018 were \$99.8 million, as compared to \$98.3 million as at September 30, 2018, and \$99.3 million at December 31, 2017. These assets consisted of \$5.5 million in cash, \$2.1 million in per capita receivable and \$92.2 million in investments.

Under Liabilities we have accounts payable and accrued liabilities as well as a payable to the General Fund totalling \$317,000, compared to \$284,000 in September 30, 2018 and \$446,000 at December 31, 2017.

At December 31, 2018 the Fund Balance was \$99.5 million, compared to \$98.0 million at September 30, 2018 and \$98.8 million at December 31, 2017.

Revenue into the Strike Fund, including investment income, was \$13.2 million at December 31, 2018 and expenditures totalled \$10.8 million resulting in a surplus of \$2.4 million before taking into account unrealized investment loss of \$1.7 million.

STRIKES, LOCKOUTS AND SETTLEMENTS

Local 15 – Vancouver Art Gallery, 204 members on strike February 5-11, 2019.

PER CAPITA ARREARS

For the quarter ended December 2018 the total arrears were \$9,309,922 which was a decrease of \$500,417 or 5.10% from the previous quarter ending September 2018. Total arrears have increased 17.96% as compared to December 2017.

INFORMATION TECHNOLOGY (IT) REPORT

In the first quarter of 2019, the IT Branch will be focused on readying the MRMS to support the 2019 CUPE Convention, planning for the replacement of CUPE's Per Capita system, upgrading CUPE's Financial and HR systems and lastly, continuing to move to stronger Information Management across CUPE via the CUPEcloud and CUPEHub initiatives.

MRMS

In the first quarter of 2019, the next MRM update will consist of small enhancements to the Local Union Information (LUI) and Education (ED) modules and will be rolled out at the end of March.

In parallel, the IT Development team will be working with the Organizing and Regional Services Department in a data validation/purification exercise with a focus on improving the accuracy of the existing data in MRMS and the processes needed to ensure the data is regularly and easily maintained going forward.

Both ORS and the IT Development team will be working with representatives in the Quebec Region to plan and assist them with their implementation of the MRMS as they migrate away from their Maurice System.

The next major MRMS release is scheduled to be out in May and will be comprised mainly of the new Events Management (EM) module. EM will replace CUPE's current Convention Registration system.

More minor releases will occur throughout the remainder of the year introducing new features within all the MRMS modules.

The last Major MRMS release in 2019 is planned for the end of November and will complete the Events Management module by adding the ability to organize/manage conferences. Once this Release is operational, it will replace the existing, legacy Conference system.

CUPEcloud

CUPE continues to ready for its eventual implementation of an Electronic Document and Records Management System (EDRMS) solution. A change of this magnitude will impact all CUPE staff from both a technological and work process perspective.

Some of the key accomplishments in 2018 include:

- the appointment of 12 additional Information Leads (ILs), bringing the total to 47 ILs across CUPE working with the CUPEcloud Project Team;
- more than one million files have been uploaded to OneDrive for Business;
- progress on file cleanup and removal of duplicate files went from 69% to 82% across the country.

The CUPEcloud Project continues to be an organization-wide priority in 2019. The main focus of the project in 2019 will be the completion of retention schedule consultations and finalizing the Project Implementation Plan. The team will also be looking at updating, reviewing and implementing various Information Management policies.

CUPE Hub

The CUPE Hub was officially launched in early 2018. The Hub was created to facilitate the sharing of common information and documents with all CUPE staff. A re-launch of the CUPE Hub is on its way, which will include a new 'HUB SCFP' site, where French speaking staff can search for documents with ease, since all documents are renamed using the French naming convention.

IT Infrastructure & Operations

CUPE's existing landline phone systems are being displaced by CUPE's migration to Skype For Business with telephone capability. Currently, Skype For Business is fully deployed to all users. Skype For Business with telephone capabilities is fully deployed to all regional offices except Quebec and Saskatchewan and all Area offices in B.C. and is underway for the Quebec

Regional Office and Area Offices. Saskatchewan will remain on a system run by SaskTel due to our continued desire to support this organization.

CUPE IT has developed a plan to improve and make consistent the IT infrastructure at all CUPE offices and has started executing on that plan. Offices will experience better networks, security and monitoring and management of those networks.

PROPERTIES AND LEASEHOLDS

We have on-going leasehold improvement projects in Trail and Sherbrooke, and have completed major renovations at the Manitoba Regional Office. We moved into our newly constructed premises in Yarmouth in late February. We are in the planning phases of various capital investment projects in Markham, National Office and other properties.

After careful analysis of the costs and issues we have been experiencing with our building in Regina, we have determined that it makes sense to look into selling the property and finding new space to house our office there. We have been working on identifying leasing opportunities in this market and on fine-tuning our space requirements. The new offices will reflect CUPE's collaborative space concept design. We will be working closely with our designers and management team to create a new, modern, state-of-the-art and respectful work environment. We are also actively looking for rental opportunities to open a new office in Yorkton, Saskatchewan.

We are presently negotiating several lease renewals and/or new leases in Prince Albert, Calgary, Nanaimo, Peterborough, Fort McMurray and Pembroke. We have recently successfully negotiated lease renewals in St. Catharine's and Victoria.

CONFERENCES AND EVENTS

Over the next few months CUPE staff are busy planning a number of different meetings including upcoming branch meetings, national committee meetings, and a Senior Management Meeting in Toronto.

There will be a member facilitator training session taking place in Halifax, starting on Sunday, February 24 until Friday, March 1, 2019 at the Lord Nelson Hotel. This training session will bring together our member facilitators from all across the Atlantic and Maritimes regions.

The 2019 CUPE National Bargaining Conference takes place at TCU Place March 18-21 in Saskatoon, Saskatchewan. Early registration closed on Friday, February 15, with 519 members registered from across the county.

As soon as the 2019 Bargaining Conference is over, staff will begin to prepare for the 2019 CUPE National Convention being held at the Palais des Congrès in Montréal from Monday, October 7 to Friday, October 11, 2019. I anticipate an excellent turnout at national convention and look forward to reporting on the progress in planning at the next NEB meeting in June.

PENSION ADMINISTRATION

Effective January 1, 2019, Brother Brian Edgecombe became the Chair of the Joint Board of Trustees of the CUPE Employees' Pension Plan and I became the Vice-Chair.

In early January 2019, Brother Barry Thorsteinson was elected as the Alternate Retiree Trustee. As mentioned in my December report, Sister Nancy Parker was elected as Retiree Trustee in September 2018. They both started their three-year term on January 1, 2019.

The Joint Board of Trustees will have its first meeting of the year on April 17.

The Trustees will discuss, amongst other things, the preliminary valuation results as at January 1, 2019. As part of the actuarial valuation process, an affordability test is conducted to verify if the pensions and deferred pensions will be indexed retroactively to January 1, 2019, in line with the increase of the Consumer Price Index.

In 2018, the Plan's performance was lower than expected with a gross rate of return of 3.40% and total assets of over \$752 million.

In 2019, the employer contribution rate will be 13.63% of pensionable earnings.

Preparations are underway for the 2018 Pension Fund Audit.

Retirements

Sister Roseanne Moran, B.C. Regional Office – January 1, 2019

Sister Kathy Johnson, Ontario Regional Office – February 1, 2019

Sister Cathy L. Sculland, Research, Job Evaluation and Health & Safety Branch – March 1, 2019

Sister Muriel Masse, Quebec Regional Office – April 1, 2019

Brother Benoit F. Gosselin, Québec Area Office – May 1, 2019

Sister Eva McKaeff, Saskatchewan Regional Office – May 1, 2019

Sister Lynn MacKenzie, Peterborough Area Office – May 1, 2019

Sister Sylvie Bergeron, Quebec Regional Office – May 1, 2019

Sister Suzanne Posyniak, Saskatchewan Regional Office – June 1, 2019

Brother Dennis R. Burke, National President's Office – July 1, 2019

Sister Janet Blake, London Area Office – July 1, 2019

Brother Brian Humphrey, London Area Office – July 1, 2019

CONCLUSION

I look forward to the upcoming National Bargaining Conference taking place in Saskatoon Saskatchewan next week. The rest of the 2019 Division conventions will also take place throughout the spring and I am eager to attend each one. I sincerely enjoy every time that I have the opportunity to spend time with CUPE Divisions to hear from locals and members across the country.

I am honoured to take part in any discussions and events where CUPE members get together to strategize and plan strategically.

Respectfully submitted,



CHARLES FLEURY
National Secretary-Treasurer

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