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

Ottawa, Ontario

March 10-12, 2020

Dear Sisters, Brothers and Friends:

Budget 2020

We begin the new decade with a renewed sense of cautious optimism. CUPE National is now over 700,000 members strong and with the increased membership comes increased revenues. This solid revenue stream, alongside the prudent financial management and practices implemented over the last decade, provides CUPE with great strength and stability.

On the revenue side we anticipate a 5.3% growth in revenues for 2020 over the 2019 budgeted amounts. As a result, our 2020 budget assumptions are based on projections of \$8.2 million in new per capita revenues compared to the prior year projected actuals and \$11.2 million compared to the 2019 budget. After factoring in the significant cost of beginning a new year as operational costs continue to rise, there is approximately \$3.8 million in new money.

I am extremely proud to say that we were able to add 22.5 new positions, (20 are permanent and 2.5 are temporary) to our staffing complement in the 2020 budget.

We continue to dedicate resources to implementing recommendations from the 2018 *CUPE National Secretary-Treasurer's Task Force on Staffing* addressing critical issues facing our chartered organizations as well as reviewing how our servicing approach can better meet the current needs. This budget dedicates significant resources to supporting these initiatives including improved leadership training and a revamped staff recruitment, internship and training program.

CUPE's budget provides a clear vision for our work in 2020 and will ensure stability for the years to come.

MARK HANCOCK

National President/Président national

CHARLES FLEURY

National Secretary-Treasurer/Secrétaire-trésorier national

DENIS BOLDUC, PAUL FAORO, FRED HAHN, JUDY HENLEY, SHERRY HILLIER

General Vice-Presidents/Vice-présidences générales

Division Conventions

Saskatchewan

This year, we began the cross-country tour of Division conventions in Saskatoon at the Saskatchewan Division convention where Mark and I hosted a breakfast discussion and Political Action session. In my address to the delegates I announced significant political action support from CUPE National for the year ahead. This year, CUPE members will be active in both provincial election on October 26 and then two weeks later the municipal and School board elections taking place on November 9 across the province.

At the CUPE Saskatchewan Division convention, delegates discussed the importance of electing worker-friendly governments at the provincial and local levels. In addition, they tackled challenging issues such as reconciliation with indigenous peoples, climate change, violence in the workplace, pharmacare, anti-racism, youth justice and other pressing issues.

Staff Meetings

During January and February each year, Mark and I travel to each region for the annual regional staff meetings. This is a great way to begin the new year as it provides an opportunity to hear directly from our staff on their perspectives on the issues and challenges CUPE facing across the country. There are increasing numbers of new staff at the meetings, due to the rapid increase in staff positions (58 in the last 3 years alone) and the high number of retirements. I also saw a renewed energy and optimism to take on the challenges we face.

Regional Events

CUPE Ontario Secretary-Treasurers' Conference

One of my favorite events to attend is the bi-annual Ontario Division Financial Officers' conference. This February, over 230 delegates gathered in Markham Ontario to share experiences and to learn updated information to assist them in their critical role of managing the finances and the administrative aspects of our union. This is especially important as locals develop their strategic plans for bargaining and prepare to face the other challenges ahead.

Alberta All Presidents' Meeting

Each year in January, CUPE Alberta organizes an All Presidents Meeting where leaders from across Alberta meet to report on their issues and strategize about the year ahead. This year the gathering was even more important as leaders strategized together on how to resist the attacks from the Jason Kenny right wing government. My message was clear – CUPE National is there to support these efforts.

SCFP-Québec Special Convention

With the successful election of Brother Denis Bolduc to the position of general Secretary of the Fédération des travailleurs du Québec, an election was triggered for the presidency of SCFP-Québec.

I was very proud to be in attendance as Brother Benoît Bouchard was acclaimed as President of SCFP-Québec and Patrick Gloutney was elected as Secretary-General of SCFP-Québec. I congratulate them and wish them every success in their new roles.

Ontario School Board Council of Unions Convention

I was very happy to attend the annual conference of the OSBCU in Toronto in February. Following a huge victory in the fall of 2019, I congratulated delegates for their recent central bargaining victory. As school board locals continue to bargain local agreements, I pledged the support of CUPE National until each and every local reaches the settlement they deserve.

FINANCIAL STATEMENTS FOR THE QUARTER ENDED DECEMBER 31, 2019

All financial figures for the year 2019 as noted in the following comments are preliminary and unaudited and subject to change.

General Fund

The total assets in the General Fund at December 31, 2019 were \$298.3 million compared to \$279.0 million at December 31, 2018.

The bank balance at December 31, 2019 was \$18.5 million, up from the balance at December 31, 2018 at \$17.9 million. The bank balance includes various internal cash reserves which are set aside for retirement payouts, future benefits funding, property maintenance, the 2019 Convention and the Regional Building Fund.

The total liabilities in the General Fund were \$240.6 million at December 31, 2019 up from \$223.6 million at December 31, 2018.

The true liability as calculated by our Actuary at December 31, 2018 stood at \$205.1 million, in comparison to \$192.5 million at the end of 2017. The December 31, 2018 Balance Sheet has recorded a liability of \$150.7 million leaving an unrecorded gap of \$54.4 million at that time. In 2019 we recorded an additional \$21.3 million of the liability, bringing the total recorded liability at December 31, 2019 to \$172.0 million. Our actuary has begun the calculations for December 31, 2019 and these will be reported in June.

The Fund Balance at December 31, 2019 is \$57.7 million of which a total of \$2.3 million is restricted as follows: Convention and National Events Assistance Fund \$578,000 and Regional Building Fund, \$1.7 million. Of the remaining Fund Balance, we have

invested \$70.0 million in fixed assets leaving a negative unrestricted balance of \$14.5 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 \$2,389,561, as compared to a budgeted surplus of \$0.8 million. Per Capita revenue is ahead of budget by \$1.9 million and total revenue is over by \$8.4 million due primarily to an unrealized gain of \$6.5 million caused by a rebound in the financial markets since the sharp drop off at the end of 2018. Total expenses are over budget by \$6.8 million.

Salaries are under budget by \$9,000, current benefits are over budget by \$838,000 and future benefits, excluding the provision to add the unrealized investment gains to the liability, are over budget by \$416,000. Note that some of the figures for the future benefit expenses will change once the report from the actuary is received. Directors and Representatives salaries are over budget by 0.2% (\$116,000) while Administrative and Technical Salaries are 4.3% (\$485,000) under budget. Clerical salaries are over budget by 1.4% (\$261,000). Vacation Relief is over budget by 5.9% (\$95,000).

Cumulatively, the other operating expenses including Programs are \$1.0 million over budget. Below are some of the more significant items:

1. Overall programs are \$657,000 under budget.
2. Fightback Fund is \$542,000 under budget.
3. Strategic Directions is \$516,000 under budget.
4. Election Spending is \$315,000 under budget.
5. Professional Fees is \$374,000 over budget.

National Defence Fund

As at December 31, 2019, we have \$13.8 million in Total Assets compared to \$14.4 million at December 31, 2018. The cash balance at December 31, 2019 is \$990,000 up from \$280,000 at December 31, 2018. In addition, we have investments totalling \$10.6 million on the books at December 31, 2019, down \$1.4 million from December 31, 2018.

Under Liabilities we have accounts payable and accrued liabilities of \$2.0 million at December 31, 2019 compared to \$1.8 million at December 31, 2018. There is also \$8.7 million in cost-sharing campaigns' liability compared to \$8.1 million at the end of 2018. Finally, \$684,000 is owed to the General Fund at the end of 2019.

At December 31, 2019 the Fund Balance was \$2.4 million, compared to \$4.4 million at December 31, 2018.

Cost-shared campaigns approved by the National Executive Board for 2019 totalled \$5,216,169 with an annual budget of \$3.65 million. There was a recovery of \$1,206,868 in unused funds from prior years cost-shared campaigns that have been closed out during the year. Major Organizing expenses were \$6,726,534 against an annual budget of \$3.65 million. National Strategic Initiatives expenses were \$2,122,273 against an annual budget of \$2.85 million. Regional Strategic Initiatives expenses were \$2,129,162 with a budget for the year of \$2.325 million.

National Strike Fund

The Statement of Financial Position is set out as Statement 1. All receivables and payables relate to the varied activities and ongoing programs of the National Strike Fund and represent a picture of our assets and liabilities on December 31, 2019.

Total Assets in the National Strike Fund as of December 31, 2019 were \$114.6 million, compared to \$99.9 million at December 31, 2018. These assets consisted of \$7.5 million in cash, \$2.1 million in per capita receivable and \$104.0 million in investments.

Under Liabilities we have accounts payable and accrued liabilities totalling \$186,000, down from \$367,000 at December 31, 2018.

Revenue into the Strike Fund, including investment income, was \$15.6 million for the year and expenditures totalled \$4.2 million resulting in a surplus of \$11.4 million before taking into account unrealized investment gains of \$3.5 million.

STRIKES, LOCKOUTS AND SETTLEMENTS

Local 2278 (BC) – University of Northern British Columbia (Teachers Assistants), 96 members on strike from November 7 to December 1, 2019.

Local 3799 (BC) – University of Northern British Columbia (Support Staff), 396 members cannot cross the picket line from November 7 to work December 1, 2019.

Local 3768 (NL) – Town of Holyrood, 15 members locked out from February 4 to February 13, 2020.

Local 508 (NB) – City of Fredericton, 147 full and part-time members locked out February 14, 2020.

Local 4193 (NB) – Commission des services régionaux Népisiguit-Chaleur, 23 members locked out since February 13, 2020.

PER CAPITA ARREARS

For the quarter ended December 2019, the total arrears were \$9,697,920 which was an increase of \$224,533 or 2.37% from the previous quarter ended September 2019. Total arrears have increased 4.17% as compared to December 2018.

INFORMATION TECHNOLOGY (IT) REPORT

In the first quarter of 2020, the IT Branch remains focused on readying the MRMS to support the 2020 CUPE Conference, enabling the Quebec Region to migrate from their Maurice System to the MRMS, planning for the replacement of CUPE's Per Capita Tax system as well as, planning and testing stronger user account and password procedures.

Member Relationship Management System (MRMS)

The IT Development team is focusing on the next iteration of the MRMS Events Management (EM) module that will give CUPE the ability to organize and manage conferences. The new conference functionality of the MRMS EM is scheduled to be released in April 2020.

Development work has started on the interface between the MRMS and the new Per Capita System (PCS) and additions to the Local Union Information (LUI) module to support the new PCS. This includes in the LUI module, the capturing of the Trustee Audit process that existed in the old Per Capita Tax system. Expected release date is May 2020.

The IT Development team is continuing to work 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.

Per Capita System Development

Development on the new system was started in late 2019. New features will be delivered in small chunks (called Sprints); each Sprint is reviewed with the Finance team in order to obtain early feedback before the full system is delivered. The target completion of this project is late-2020.

Finance System (Dynamics SL)

Testing and final deployment of the Finance system to the Cloud is targeted to be completed by the end of first quarter 2020. This move will have benefits to CUPE by reducing operating costs and providing a more comprehensive and built-in IT Disaster Recovery Plan (DRP).

IT Infrastructure & Operations

CUPE IT has been planning and testing improved network resiliency to minimize downtime at any CUPE office across the country. Final testing and implementation will happen in March. CUPE IT has also been planning and testing for stronger user account and password processes to improve CUPE's IT Security posture and rollout of these processes will commence mid March.

PROPERTIES AND LEASEHOLDS

We are currently in the process of constructing leasehold improvements for our new offices Nanaimo and Yorkton. We will be moving into these new spaces in April. We recently completed and moved into our new premises in Calgary in December.

We are presently analyzing our options regarding some leases coming to term in 2020 and 2021, such as Kitchener, Peterborough, Windsor, Hamilton and Sudbury.

We have completed renovations of our Trail office and also completed the expansion of office space at the ORO, including the construction of offices for the OSBCU. We have started design work relating to the Ontario Division Expansion project at the ORO. We anticipate starting construction for this project in late Spring or early Summer.

CONFERENCES AND EVENTS

Early in the year staff meetings were arranged for both the Human Rights and the Union Education Branches in Ottawa. Shortly after, CUPE national office staff had the opportunity to meet on January 21, 2020 at the Ottawa Conference and Event Centre.

The beginning of the new year following convention is the time when members are selected to serve on our national committees and the first committee meeting to take place is at the All Committees' Meeting. This meeting allows the members of our 18 committees to meet and discuss specific issues pertaining to them and it also gives them an opportunity to meet with members from other committees in plenary sessions. There are many new faces serving on the various committees this year with a specific focus on increased diversity and representation.

The All Committees' Meeting will take place at the Shaw Centre in Ottawa on March 24 to March 26, 2020 and will bring together close to 300 committee members and staff in our nation's capital. Out-of-town staff and members will be staying at the Westin Ottawa Hotel and Les Suites Hotel.

We continue to plan meetings taking place this year including the National Sector Council Conference in the fall as well as several branch meetings, directors' meeting, training sessions, and conference calls and meetings for our National Executive Board.

PENSION ADMINISTRATION

Effective January 1, 2020, Brother Brian Edgecombe became the Vice-Chair of the Joint Board of Trustees of the CUPE Employees' Pension Plan and I became the Chair.

The Joint Board of Trustees will have its first meeting of the year on April 15. The Trustees will discuss, amongst other things, the preliminary valuation results at 1.1.2020. 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, 2020, in line with the increase of the Consumer Price Index.

As part of their review of the Balanced Investment Mandate, the Joint Board of Trustees is performing an investment manager search for the Canadian Equity Mandate and the Fixed Income Mandate.

In 2020, the employer contribution rate will remain at 13.63% of pensionable earnings.

Preparations are underway for the 2019 Pension Fund Audit.

Retirements

Brother Peter Paulekat, Ontario Regional Office – February 1, 2020

Sister Karen Carle, Prince Albert Area Office – March 1, 2020

Sister Lisa M. Pheaton, Peel Area Office – April 1, 2020

Sister Beverley Patchell, Barrie Area Office – April 1, 2020

Brother Eric-Jan Zubrzycki, Québec Area Office – April 1, 2020

Sister Carole Larone, Quebec Regional Office – July 1, 2020

CONCLUSION

As we begin the new decade, and if the first quarter of 2020 is indicative of what lies ahead, we will continue to have a very active and challenging year. I look forward to continuing to support all the projects and campaigns that are underway in every region of our country.

I look forward to attending each of the upcoming Division conventions. I sincerely enjoy each opportunity to spend time with CUPE Divisions and 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 for what lies ahead.

Respectfully submitted,


CHARLES FLEURY
National Secretary-Treasurer