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**NATIONAL SECRETARY-TREASURER'S REPORT
TO THE
NATIONAL EXECUTIVE BOARD**
Virtual Meeting held by Skype for Business
June 16-18, 2020

Dear Sisters, Brothers and Friends:

COVID-19 Pandemic

Shortly after our last National Executive Board meeting in March 2020, our world was suddenly upended, and we found ourselves in the middle of a global pandemic. Just like most of the rest of the world, CUPE National, our chartered bodies, our workplaces and communities have faced unprecedented challenges. I am astounded by the resilience of our members and staff as we have faced these challenges together.

This pandemic highlights the important work done by our front-line members across the country, caring for the sick and vulnerable, operating our transportation systems and making sure our public services continue to support our communities. It is CUPE members who provide the vital services and I am extremely proud of these members.

As National Secretary-Treasurer, my main role in this crisis is to make sure CUPE National has the resources to continue to offer the critical services our members count on. Fortunately, CUPE's finances were very strong going into this crisis. That means we have the foundation to provide the campaign resources necessary to back the important fights that we must take on. In spite of expected revenue reductions, we are also working very hard to keep all staff on payroll to provide critical services to our locals, members and the community.

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

For the first few weeks of the crisis, immediate and significant attention was redirected to shifting CUPE National's operations to deal with closing our office spaces and to working remotely. This was no small feat. Thanks to recent significant investments in technology we were able to pivot very quickly and to shift our operations. With 850 staff working from 68 offices across the country the logistics were significant – only to be surpassed by the logistics of preparing to reopen the offices. We have now finalized an office reopening plan which will happen in phases as we adhere to public health parameters and guidelines in all jurisdictions while taking into consideration the needs of staff and our specific operational needs. Our plan puts the health and safety of our staff and members at the forefront and is designed to go slow and is flexible enough to be able to retract to a previous stage if COVID-19 cases start to rise in any region.

Financial Impact

As of mid-May we had almost 80,000 members laid off because of the pandemic. Many more will not be recalled over the summer months. While we are not sure how long this situation will continue to affect our members, we do know that our revenues are now declining. Often the economic impacts on the public sector are delayed and the impact is felt twelve to eighteen months after an economic downturn. We anticipate this trend will continue as governments face declining revenues. This will particularly affect municipal services since municipalities have had higher costs due to the pandemic, have not received any assistance from higher levels of government, and have limited revenue options to fill the gap. We know there will be long-lasting economic effects of this crisis.

CUPE National will be ready to face the challenges ahead, but we will need to be very careful with our spending. As we monitor revenues decreases, we have been focusing on where and how to save money in our operations. We are therefore adjusting our national budget to find savings, mainly in our operational costs. Social distancing imperatives and postponements of all CUPE physical events, training and education programs also reduce our travel and meeting costs in the short to medium term.

While significant costs will be incurred in arrangements related to the safe office reopening, any discretionary spending is being postponed such as: technology improvements, building and office construction projects, off-site staff meetings and training, non-mandatory travel, large CUPE gatherings such as the All Committees meeting, and many other savings.

As is the case with most public sector organizations, over 70% of our costs are related to staffing. This is how it should be. So far, we have not had to lay-off any staff and instead are committed to working on finding various other additional savings for example by not backfilling vacancies and eliminating overtime where possible.

I would like to make special mention of the exceptional work of our senior management team and Directors who, from day one, stepped up and almost completely transformed how we work in our regions and departments.

I recognize the incredible work of our staff who face extraordinary upheaval in their work, new challenges, unprecedented situations in our workplaces, devastating lay-offs in our membership, COVID-19 related deaths and illnesses, workplace transformations, and fundamental shifts in the operations of our chartered organizations – all while also managing the childcare and family responsibilities on the home front.

CUPE Employees' Pension Plan

We have been working very hard on pension issues over these past months. Together with the Canadian Labour Congress, CUPE National is lobbying the federal and provincial governments to ease the pension regulations during these difficult times. As is the case with all employers, unions will face serious financial challenges if there is no relief to the current solvency requirements.

Much like all other pensions, CUPE National's pension fund has been seriously impacted by the recent economic crisis. As required by legislation, CUPE National must file an evaluation report each three years. The next report is due no later than January 1, 2021. Our solvency ratio is currently at approximately 69%, down from the pre-crisis ratio of 85%.

After extensive consultation with our actuaries, pensions and benefits advisors as well as an in-depth consideration of the limited options, in May 2020 we decided to take control of our current situation and draw on our future benefit reserves to make a one-time contribution of \$24.3 million to the pension plan. This will allow us to maintain our solvency ratio above 85% and file a solvency valuation report as of January 1, 2020. This means that CUPE will not have to file another solvency valuation report for the next three years which will give the markets time to rebound, reducing the risk that we might need to make even greater solvency payments had we gambled and waited to file on January 1, 2021.

We are extremely fortunate to have this option and it is due to the sound financial decisions we have made in past years when the finances were healthy. All pension plans across the country will find themselves confronted by similar realities in the near future. We must be ready to take them on in each pension plan.

Human Rights Conference 2021

I am happy to announce that we have secured the venue for the 2021 Human Rights Conference which is scheduled to be held March 1-4 in Halifax, Nova Scotia. As is the case with decisions about proceeding with each national event, we will carefully monitor the situation. We look forward to the time when national gatherings are possible once again.

Lock Out CUPE Local 4193 – Chaleur Regional Services Commission (CRSC) Red Pine Landfill Site, Allardville, NB)

In an effort to ramp up the support for our only local facing a labour disruption during the pandemic, we reissued a national appeal requesting that all locals consider sending donations or other forms of support to these dedicated CUPE members. With no end in sight, 23 members remain locked out since February 13, 2020.

Staffing

Some significant staffing changes were in process as the pandemic hit. Although we have been working remotely, we have worked hard to continue the recruitment and selection of candidates for the National Office positions of: Managing Director of Human Resources, Director of Accounting and Director of Labour Relations.

I would like to take this opportunity to personally thank Brother John Lepine, outgoing Director of Labour Relations for all his years of dedication to CUPE in the various roles he took on. I wish him all the very best health and happiness in his well-earned retirement.

CUPE National Audits

Despite the serious disruption caused by the pandemic, it has continued to be a busy audit season for Secretary-Treasurers and Trustees across the country. My office continues to receive a significant number of Trustees' Report submissions. At CUPE National we have adjusted our processes so that in mid-June, our external auditors could begin their extensive annual review of our finances and financial systems. Our CUPE National Trustees will conduct their annual audit in August. Both reports will be presented at the September NEB meeting.

FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2020

General Fund

The total assets in the General Fund at March 31, 2020 were \$284.4 million compared to \$300.2 million at December 31, 2019. The items of significance are discussed below.

The bank balance at March 31, 2020 was \$23.3 million up \$4.2 million from the balance at December 31, 2019. The bank balance includes various internal cash reserves which are set aside for the 2021 convention, retirement payouts, future benefits funding, property maintenance and the Regional Building Fund.

The total liabilities in the General Fund were \$227.7 million at March 31, 2020 down from \$244.1 million at December 31, 2019.

The true liability as calculated by our Actuary at December 31, 2019 stood at \$222.8 million, in comparison to \$205.0 million at the end of 2018. The December 31, 2019 Balance Sheet has recorded a liability of \$175.3 million leaving an unrecorded gap of \$47.5 million at that time. Unfortunately, in the first quarter of 2020, due to the sharp decline in the investment markets, we recorded an overall decrease of \$16.5 million in the booked liability, bringing the total recorded liability at March 31, 2020 to \$158.7 million.

The Fund Balance at March 31, 2020 is \$56.7 million of which a total of \$1.8 million is restricted as follows: Convention and National Events Assistance Fund \$634,000 and Regional Building Fund, \$1.1 million. Of the remaining Fund Balance, we have invested

\$70.5 million in fixed assets leaving a negative unrestricted balance of \$15.6 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 to date is \$592,265, as compared to a budgeted deficit of \$1.4 million. Per Capita revenue is under budget by \$107,000 and total revenue is under by \$18.9 million due primarily to an unrealized loss of \$19.4 million in our investment accounts caused by a significant drop in the financial markets due to the COVID-19 pandemic. Total expenses are under budget by \$20.9 million.

Salaries are under budget by \$660,000, current benefits are over budget by \$132,000 and future benefits, excluding the provision to add the investment gains and losses to the liability, are over budget by \$471,000. Directors and Representatives salaries are under budget by 1.7% (\$259,000) while Administrative and Technical Salaries are 6.6% (\$191,000) under budget. Clerical salaries are also under budget by 1.7% (\$78,000). Vacation Relief is under budget by 29.1% (\$131,000).

Cumulatively, the other operating expenses including Programs are \$1.9 million under budget. Below are some of the more significant items:

1. Strategic Directions is \$543,000 under budget.
2. Overall programs are \$311,000 under budget.
3. Operational travel costs are \$282,000 under budget as all travel was effectively stopped in mid March.
4. Fixed staffing costs are \$136,000 under budget.
5. Fightback Fund is \$91,000 under budget.
6. Professional Fees is \$36,000 under budget.
7. Election Spending is \$21,000 under budget.

National Defence Fund

As at March 31, 2020, we have \$14.8 million in Total Assets compared to \$13.8 million at December 31, 2019. The cash balance at March 31, 2020 is \$2.0 million up \$1.0 million from December 31, 2019. In addition, we have investments totalling \$10.7 million on the books at March 31, 2020, up slightly from December 31, 2019.

Under Liabilities we have accounts payable and accrued liabilities of \$1.5 million at March 31, 2020 compared to \$2.1 million at December 31, 2019. There is also \$8.7 million in cost-shared campaigns' liabilities virtually unchanged from December 31, 2019. Finally, \$1.2 million is owed to the General Fund at March 31, 2020.

As at March 31, 2020, the Fund Balance was \$3.4 million, compared to \$2.4 million at December 31, 2019.

Cost-shared campaigns approved by the National Executive Board in the first quarter of the year was \$988,061 with an annual budget of \$4.0 million. There was a recovery of \$230,657 in unused funds from prior years cost-shared campaigns that have been closed out during the first quarter of the year. Major Organizing expenses were \$814,955 against an annual budget of \$4.0 million. National Strategic Initiatives expenses were \$637,738 against an annual budget of \$2.85 million. Regional Strategic Initiatives expenses were \$202,451 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 March 31, 2020.

Total Assets in the National Strike Fund as of March 31, 2020 were \$114.9 million, slightly up from December 31, 2019. These assets consisted of \$10.8 million in cash, \$2.1 million in per capita receivable and \$101.1 million in investments.

Under Liabilities we have accounts payable and accrued liabilities totalling \$988,000, up \$755,000 from December 31, 2019.

Revenue into the Strike Fund, including investment income, was \$3.8 million and expenditures of \$904,000, resulting in a surplus before unrealized gains of \$2.9 million. There was an unrealized loss of \$3.4 million recorded on our Strike Fund investments in the first quarter due to the significant drop in the market because of COVID-19.

STRIKES, LOCKOUTS AND SETTLEMENTS

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

PER CAPITA ARREARS

For the quarter ended March 2020 the total arrears were \$14,053,223 which was an increase of \$4,355,303 or 44.91% from the previous quarter ended December 2019. Total arrears have increased 82.77% as compared to March 2019.

INFORMATION TECHNOLOGY (IT) REPORT

In the second quarter of 2020, the IT Branch focused on ensuring that all CUPE staff were enabled to work away from the office while at the same time conducting its own business as usual. That included the final steps to ready the MRMS to support online conference registrations, executing on the plan for the replacement of CUPE's Per Capita Tax system as well as, kicking off CUPE's Business Continuity and Disaster Recovery planning project.

Member Relationship Management System (MRMS)

On May 11, the IT Development team released the next iteration of the MRMS Events Management (EM) module that gives CUPE the ability to organize and manage conferences.

Development work has started on the interface between the MRMS and the new Per Capita System (PCS) and additions needed to the Local Union Information (LUI) module to support the new PCS. This includes the capturing of the Trustee Audit report process that is currently housed in the old Per Capita Tax system. The expected release date for the PCS is in late 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.

CUPE is undertaking a new initiative to deliver an electronic nationwide Strike Fund system that will help in administration on the picket line, allow online strike pay form completion, expedite the approval process online and automate workflow processes. This will eliminate the problem of maintaining and managing paper forms, the delay in collecting signatures and will provide the necessary reporting and auditing requirements. The project is in its initial investigation and requirements gathering phase and as such, has no anticipated delivery date yet.

Per Capita System Development

Development of the new system is ongoing with the target completion of late 2020. Much work has been done with the Finance users to confirm the proposed system design and features. The design and development work has been split into seven segments with just two left to be completed before system training and testing begins.

IT Infrastructure & Operations

CUPE IT continues executing plans to ensure improved network resiliency to minimize downtime at CUPE office across the country, improve CUPE's overall IT Security (e.g. stronger account/password procedures) and lastly, plan the migration from Skype For Business to Teams.

PROPERTIES AND LEASEHOLDS

Due to the current COVID-19 pandemic, we have refocused our efforts for all activities. We have been making plans to focus on the work needed to ensure buildings remain safe while they are unoccupied. We have had to curtail much of our capital project work but have refocused and are continuing design work on several projects. The property team has also done a tremendous amount of work planning for the eventual return to office by our staff to ensure their safety in this new environment. Substantial work is in process to ensure among other considerations: safe office and meeting room procedures, enhanced physical distancing processes, rigorous cleaning protocols, enhanced front office security and entrances, and a review of HVAC system operations and settings.

We have substantially completed construction of leasehold improvements for our new offices in Nanaimo and Yorkton. We will be moving as soon as we are able to re-open offices.

We are presently negotiating potential extensions and expansions of our office in Sudbury. We have recently concluded renewal agreements for Hamilton, Corner Brook, Windsor and Dauphin. We are also negotiating with the landlord and neighboring tenants to expand our premises in Winnipeg.

We are analyzing our options regarding some leases coming to term in 2020 and 2021, such as Kitchener, Sault Ste. Marie, Oshawa, Windsor, Fort McMurray, Medicine Hat and Terrace.

We are in the design phase of the Ontario Division Expansion project at the ORO.

CONFERENCES AND EVENTS

This has been an unprecedented year for event planning for CUPE National.

As a result of the current situation with COVID-19, CUPE has cancelled all in-person meetings this spring and summer.

Due to government restrictions on gatherings and travel, CUPE cancelled the All Committees Meeting which was scheduled for March 24-26, 2020 at the Shaw Centre in Ottawa. In addition, we cancelled:

- Directors' Meeting in Montreal (April 7-9),
- Legal Branch Meeting in Ottawa (April 16-18),
- CLC Convention in Vancouver (May 4-8),
- Federation of Canadian Municipalities (FCM) in Toronto (June 4-7),
- Meeting of Sector Council Co-chairs and Staff Advisors in Ottawa (June 9-10),
- Union Education Branch Meeting in Ottawa (June 9-12),
- NEC/NEB Meeting in Ottawa (June 16-18),
- and all of the regional staff training sessions yet to take place.

In lieu of in-person meetings, we have held several bilingual audio and videoconference meetings via Skype for Business including weekly and bi-weekly NEB meetings, the EAP Committee Meeting and this June NEB meeting which is normally held at the National Office in Ottawa. As we anticipate ongoing restrictions on gatherings, we have been researching potential options for holding virtual meetings and conferences.

Our next large national event, the CUPE Sector Council Conference is scheduled to take place this October in Winnipeg, Manitoba, from October 18 to 22, 2020 at the RBC Convention Centre. As we don't yet know the restrictions on in-person meetings scheduled for this coming fall, we have decided to continue logistics planning and will soon be selecting an audio-visual company to provide the AV and simultaneous interpretation services.

In addition to the Sector Council Conference, CUPE is looking ahead towards the next few years and has placed tentative holds on convention centres and hotels for:

- the 2021 Human Rights Conference in Halifax,
- 2022 Sector Council Conference in Ottawa
- and 2024 Sector Council Conference in Winnipeg.

CUPE is working hard to ensure the important business that is conducted at our meetings continues, all the while ensuring the safety and wellbeing for our members, our staff and the health and safety of all parties involved.

PENSION ADMINISTRATION

In April, the Joint Board of Trustees (JBT) sent a letter to all members of the CUPE Employees' Pension Plan (CEPP) to give them an update on their pension plan regarding the COVID-19 pandemic.

The January 1, 2020, actuarial valuation process is in progress and will be finalized in July. It will include the special contribution of \$24.3 million made by the employer to the CEPP funds in May.

The retirees' monthly pension benefits payable on June 1, 2020, reflected the applicable indexation rate (1.98% or proportionately for those who retired during 2019) and included a retroactive adjustment for the period from January 1 to May 31, 2020. A letter with indexation details was sent to all retired members in May.

The retirees' monthly pension benefits payable on June 1, 2020, reflected the applicable indexation rate (1.98% or proportionately for those who retired during 2019) and included a retroactive adjustment for the period from January 1 to May 31, 2020. A letter with indexation details was sent to all retired members in May.

As part of their review of the Balanced Investment Mandate, the JBT has selected Fiera Capital as a new investment manager for the Canadian Equity Mandate.

The Joint Board of Trustees will hold its next JBT meeting in June to discuss ongoing issues and activities of the pension plan.

The auditors of the CUPE Employees' Pension Plan have completed the 2019 Pension Fund audit and the 2019 Financial Statements will be filed with the Regulators in June.

The spring edition of the CEPP newsletter "Pension Connection" is available on the CEPP website.

The Pension Plan staff are currently working on the preparation of the 2019 Pension Plan Annual Statements for all plan members. Active plan members will also have access to their 2019 annual statements through the Plan's website at www.cepp.ca for pension estimate purposes.

Retirements

Brother Guy S. De Blois, Quebec Regional Office – April 1, 2020
Brother Derek A. Lue, Ontario Regional Office (Local 79) – May 1, 2020
Brother Alain Richard, Trois-Rivières Area Office – July 1, 2020
Sister Laurie A. Guertin, Administration Branch – July 1, 2020
Sister Audrey M. Benoit, Fort McMurray Area Office – July 1, 2020
Sister Jo-Al G. Dench, B.C. Regional Office – August 1, 2020
Sister Cheryl L. Colborne, B.C. Regional Office – August 1, 2020
Brother John P. Lepine, Human Resources Department – February 1, 2021
Sister Jacqueline M. Bramwell, Atlantic Regional Office – April 1, 2021

CONCLUSION

In conclusion, as we continue to traverse these uncharted waters, I commit to keeping a strong hand on the tiller and a keen eye on the horizon ahead. Mark and I are committed to do everything within our power to make sure that the savings we need to make will not adversely affect the level of services to members. CUPE national is resilient and strong. We will respond to the issues we will face. Stay strong and stay safe my friends. We will come out of this stronger and more united than ever.

Respectfully submitted,



CHARLES FLEURY
National Secretary-Treasurer

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