

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

Ottawa, Ontario
December 11-13, 2012

Sisters and Brothers:

It is a little more than one year since I came into the position of National Secretary-Treasurer and I am very pleased to once again present a national budget for your consideration.

At our last meeting, I asked you to consider how we can best use new revenues for 2013 to meet the challenges our members are facing at the bargaining table and in the political arena. Everything that has happened over the last three months leaves me more convinced than ever that fighting back has to be our priority in the coming year.

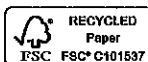
We heard in September about Bill 115 in Ontario, where our affected school board members are coming up against the December 31 deadline, after which the Minister of Education can impose a collective agreement with the powers granted her by the bill. I was able to attend two important membership meetings in October related to the draconian measures included in Bill 115 and contemplated in other legislation proposed by the Ontario government.

At the first meeting, hundreds of leaders from locals in the Ontario Council of Hospital Unions, who do not have the right to strike, came together to talk about how they will defend the existing independent interest arbitration system. The next day, well over 1,000 leaders and activists from all sectors in Ontario vowed to defend their right to free collective bargaining.

At this NEB meeting, I will bring a request from CUPE Ontario for significant support from our national Fightback Fund. The campaign has already begun with a series of regional meetings for local leaders and members, and will continue into the new year when there will be a new leader of the Ontario Liberals and a possible provincial election. Listening to both the ruling Liberals and the opposition Conservatives, there is no question that rights of workers in the public and private sectors – our compensation, our pensions, our conditions of work – will be at issue.

PAUL MOIST – National President / Président national **CHARLES FLEURY** – National Secretary-Treasurer / Secrétaire-trésorier national

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



A provincial election is also on the 2013 agenda in British Columbia, where there is a real likelihood of the NDP taking back government. I had the pleasure last month of attending my first convention of the Hospital Employees Union. Those of you who also attended will have seen that these members are recovering from their loss of licensed practical nurses (LPNs) after years of battling to protect those members. They are carrying on their campaigns in support of seniors, on promoting a living wage for all workers, and will engage with other CUPE members in the election campaign to bring back a worker-friendly government to their province.

These are just two regions, but all are facing similar challenges. In Saskatchewan, the Wall government has announced changes to labour laws that impose reporting conditions on unions similar to those in Bill C-377. The one piece of good news in that province is that the government recognized the folly in trying to take on the Rand formula and automatic dues check-off – with much thanks to CUPE-Saskatchewan and all of our allies in the labour movement.

Besides the fights we are forced to undertake, we are mandated by our national convention to undertake some ongoing campaigns, particularly on health care. This is work that started in 2012 and will continue into 2013. There is much to look forward to in the coming year. It will be the year that our union celebrates its 50th anniversary. I know many of you are planning to commemorate that milestone at your division conventions in addition to what we will plan for our National Convention next October in Québec City.

Our union continues to grow and that growth brings with it its own challenges. We have worked over the last 10 years to address some of the uneven distribution of staff in relation to the number of members in each region. We will review that progress at this meeting. As well, we have increased our real estate holdings to provide good working environments for our staff, meeting places for our members, and a better balance sheet as our equity grows. I will be asking you at this meeting to consider some steps we need to take to ensure that we are now managing and maintaining those assets appropriately.

We also need to continue providing supports to our locals to help improve their financial administration, especially in light of new rules that may be coming federally and in some provinces. My office will be contacting you in the coming weeks to propose a special event at your division conventions – a breakfast for local treasurers and trustees. This will be an opportunity to describe some new tools available to help with their tasks, to hear their thoughts about the duties they have and to answer their questions.

For our National Union, we continue with prudent administration of three Funds while meeting the ongoing and pressing needs, as you will see in the following pages.

FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2012

General Fund

The total assets in the General Fund at September 30, 2012 were \$164.0 million compared to \$158.3 million at June 30, 2012. The bank balance at September 30, 2012 was \$10.5 million compared to \$10.4 million at June 30, 2012 and \$28.6 million at September 30, 2011. The reduction in the year over year balance remains largely related to funding required for capital projects. The bank balance includes \$5.9 million of cash reserved for retroactive wage payments, retirement payouts, future benefit funding, the 2013 convention and the Regional Building Fund. The total investment set aside for Employee Future Benefit Expenses is up significantly from December 2011 due to transferring money from the cash reserves in the General Fund bank account over to the investment account and also due to investment earnings. This investment account now stands at \$34.4 million.

Fixed assets have increased \$1.8 million in the third quarter of 2012 with completion of the new Ontario Regional Office building (total capital cost to date \$21.2 million) and our new CUPE office in Charlottetown, Prince Edward Island. Construction continues on the expansion building for the National Office with total costs now at \$3.7 million on a budget of \$8.5 million.

The total liabilities in the General Fund were \$110.6 million at September 30, 2012 representing an increase of \$4.2 million from the previous quarter.

The provision for Employee Future Benefit expenses stands at \$59.7 million at the end of the third quarter of 2012. We are still making headway and have been able to record an additional \$10.5 million of this liability in the past twelve-month period. However, as of the December 31, 2011 audited financial statements, the true actuarial liability is \$229 million, leaving a gap of \$171 million unrecorded in our financial statements. It is worth noting that the gap at the end of 2010 was \$170 million. Despite our efforts, the roadmap we have set out for recording our Employee Future Benefit liabilities has not kept pace with growth in the actuarial cost of the liabilities this past year. We have completed a comprehensive review with our actuary and auditors of our progress to date towards accounting for this liability on our Balance Sheet and will present a full report at this Board meeting.

The Fund Balance at September 30, 2012 is \$53.4 million of which a total of \$4.1 million is restricted as follows: Convention and National Events Assistance Fund (\$1,054,000), Fightback Fund (\$2.5 million), Anti-Privatization Fund (\$75,000 unspent cumulative amount to the end of 2011). The Regional Building Fund was fully spent at the end of March 2012 and has now been built back up to \$500,000 with the allocation for six months from April to September 2012. Of the remaining Fund Balance, we have invested \$50.2 million in fixed assets, leaving an unrestricted deficit of \$867,000. This means that all available funds, and more, from past surpluses have been invested in fixed assets.

The preliminary operating surplus after provision for the Regional Building Fund for the year to date 2012 is \$1.8 million. Per Capita revenue is over budget by \$1.5 million. At the same time, expenditures for the nine months were under budget by \$1.1 million.

Below are some of the significant variances in expenditures:

1. The Anti-Privatization budget is underspent by \$814,000 for the year to date largely due to timing of invoices that have not yet been sent to the National Office. Regions are encouraged to submit their invoices as quickly as possible. There is now just \$75,000 remaining from Anti-Privatization budgets carried forward from past years.
2. The Legal and Arbitration budget is under budget by \$743,000. This variance is due to an award of costs as part of the settlement in the OMERS pension lawsuit initiated in 2005. The award, in the amount of \$1,005,610 has changed this budget line from overspent to underspent.
3. Fixed Staffing costs are underspent by \$538,000 or 6.8%. This budget line was reduced somewhat in 2012 and will be further reduced in the 2013 budget.
4. Election spending is \$468,000 under budget for the year. Elections in BC and Ontario that were anticipated to occur in 2012 will now not take place until 2013.
5. Operational Travel budget is overspent by \$144,000 or 2.5%. This overage is predominantly due to a rise in Living Out costs for Representatives of more than 60% over last year, largely stemming from the recruiting challenges we are facing as an organization with more reps working temporarily outside of the area where they live.
6. EAP care costs are running \$108,000 over budget for the year to date and \$123,000 over the prior year.

National Defence Fund

Assets in the National Defence Fund as of September 30, 2012 totaled \$8.8 million, compared to \$9.5 million at June 30, 2012. Liabilities totaled \$5.7 million, leaving a Fund Balance of \$3.1 million. Total revenue for the year to date is \$6.6 million against expenditures of \$7.2 million, leaving a deficit for the nine months of \$639,000.

Cost-shared campaigns approved by the National Executive Board for the year to date totaled \$3.0 million, overspending the annual budget by 21%. Major Organizing expenses were \$1.9 million, while National Strategic Initiatives totaled \$1.4 million. Spending on Regional Strategic Initiatives totaled \$950,000.

National Strike Fund

Total Assets in the Strike Fund as of September 30, 2012 were \$59.5 million, compared to \$56.7 million at June 30, 2012. These assets consisted of \$3.1 million in cash, \$1.8 million in per capita receivable, \$54.5 million in investments. Under Liabilities, there were accounts payable and accrued liabilities of \$21,500, and payables to the Defence Fund of \$11,000. Therefore, at September 30, 2012 the Fund Balance was \$59.5 million, compared to \$56.4 million at June 30, 2012.

Revenue into the Strike Fund, including investment income, was \$10.6 million. Expenditures for the period were \$4.6 million. This results in a net surplus for the year to date of \$6.0 million.

STRIKES, LOCKOUTS AND SETTLEMENTS

Settlements in strikes that ended in this quarter were reported to the September NEB. There were no new strikes or lockouts in the period June – September 2012.

PER CAPITA ARREARS

As of October 16, 2012, arrears total \$7.4 million, which was a decrease of \$462,900.56 or 5.88% from the July 2012 report.

TECHNOLOGY REPORT

The IT Steering Committee has completed work on the 2013 IT Strategic Plan. The plan outlines the key priorities and challenges for Technology at CUPE over the next three years and puts in place plans and strategies to meet the objectives outlined. Highlights will be presented at this NEB.

We continued with an extra resource on the Help Desk through the third quarter of 2012 as we worked through the backlog of Help Desk tickets. Having a third person has made a big difference in the turnaround time for Help Desk calls to be answered. When the new Head of IT is in place in 2013, he or she will be able to fully assess Help Desk services.

PROPERTIES AND LEASEHOLDS

Properties

Over the past few months considerable work and planning has been undertaken to address the capital project to replace the exterior building envelope for the Ontario

Regional Office. We reported to you last meeting that, during interior deconstruction carried out as part of the fit up, some water leakage was discovered. Extensive work has been done to determine the source of the leaks and the extent of the issue, as well as ensuring that due diligence was exercised at the time of purchase. We have concluded that the best course of action to fully protect our investment is to replace the exterior of the building. The capital cost for this project is estimated at \$6.0 million. Planning and design is currently underway with the actual work expected to start in Spring of 2013 and be completed before the winter. Once this work is complete, we will have virtually a brand new building with every major component from the HVAC systems, to the roof, building interior and exterior having been recently replaced. A motion to this effect will be presented at this Board.

Construction continues to progress on schedule and on budget on the new Ottawa Area Office building at 1378 Triole Street in Ottawa. Interior work continues and is expected to be completed on schedule in December for occupancy in January 2013.

Leaseholds

The lease for the Medicine Hat, Alberta office has been renewed for an additional three-year period, expiring November 30, 2015.

We continue to await the landlords' responses to our proposals to renew the current leases in Lethbridge, Alberta, renewing our tenancy in these existing premises to October 31, 2017.

We will be renewing the lease for our New Glasgow, Nova Scotia for a further five-year term to October 31, 2017.

The interior improvements for the Kelowna Area Office in British Columbia are complete and staff took occupancy of the new space on October 29, 2012.

We are exploring options for lease renewals or relocation for the following offices: Corner Brook and St. John's Area Offices in Newfoundland; North Bay Area Office in Ontario; Grande Prairie Area Office in Alberta; and Nanaimo Area Office in British Columbia.

NATIONAL CONVENTION AND OTHER CONFERENCES

In the last couple of months we saw a number of National Committee Meetings take place as well as our 2012 Health and Safety Conference held at the Ottawa Convention Centre from October 12-14, 2012. We had a total of 479 members from across Canada attend the conference as well as a number of staff to facilitate the workshops. Thanks to all for a successful conference.

This winter is no less busy as we are preparing for the 2013 Bargaining Conference which is scheduled to take place in Ottawa from February 5-8, 2013. The registration package was sent out with the general mailing on November 27, 2012 and the online registration package is up on the CUPE website. We are hoping for a great turnout in February and have already received close to 519 online RSVPs from locals and members wishing to attend.

TRAINING AND DEVELOPMENT

The work in Union Development continues to support the National Strategic Directions with campaign workshop development, conference support (national and regional), and increasing our capacity to offer the education program in French outside of Quebec. The regions are reporting increased requests for workshops and are running full programs year round.

Following consultation with the appropriate National Committees and the Equality Branch staff, UDD is moving forward with developing courses in three key areas:

- Duty to Accommodate
- Human Rights Workshop
- Leadership Program for Racialized and Aboriginal Members.

It is time also to revise CUPE's bargaining education program for members. The landscape for collective bargaining is changing rapidly in both the public and private sectors as is the face of our membership.

The Union Development Department will engage members and staff in a conversation about the kind of bargaining education program our members need in these changing times in order to support forward movement at all our bargaining tables, whether central, coordinated or local. A *Discussion Guide* will be posted on the web site, along with a map showing all the tools that CUPE currently produces to support locals and bargaining councils in bargaining.

The two-year literacy project funded by Human Resources and Skills Development Canada (HRSDC) ended November 30. It helped us develop new approaches to better respond to the literacy needs of francophones outside Quebec, Aboriginal workers, and workers in smaller or remote communities

With the Harper government only interested in funding initiatives with a narrow "labour market outcome," UDD had already started to focus attention on the provinces and territories - ensuring that we access Labour Market Agreement funding to support workplace literacy.

This fall, UDD also engaged in two community collaborations in Ottawa:

1. Making our Activism Inclusive, facilitated by renowned activist trainer George Lakey, with 50 participants from unions, community groups, peace activists and youth activists.
2. Youth Speak Out Project, with the CLC and the Adoption Council of Canada, saw 15 youth aged 14 to 17, who are seeking adoption, meet at the CUPE National Office in early November.

PENSION ADMINISTRATION

The Joint Board of Trustees held its last meeting of the year in early December. The focus of the meeting was to discuss, with the Investment Managers, their performance results and a review of their strategies as well as expectations for the upcoming year. The Trustees have also discussed the preparation of the January 1, 2013 actuarial valuation.

An educational session was held on Responsible Investment with the Plan's Proxy Service Provider, including some of its other agents, who provided the Trustees with their perspectives on this matter.

As mentioned in my previous reports, the three-year term for both Retiree Trustee and Alternate Retiree Trustee positions ends on December 31, 2012. Brother Gary Johnson was elected as Retiree Trustee effective January 1, 2013. The trustees are in the process of concluding the election for the Alternate Retiree Trustee position.

Deaths

Sister Angela Bromley, retiree, National Office – September 29, 2012
Brother Chris Shield, retiree, Kingston Area Office – November 21, 2012
Mrs. Maxine Kramer, spouse of late retiree Mike Kramer – October 27, 2012
Mr. George Plettenberg, spouse of retiree Elisabeth Plettenberg – November 6, 2012

Retirement

Sister Rachel Felteau, National Office – November 1, 2012
Sister Jeannine McDonald, Kelowna Area Office – January 1, 2013
Sister Ida Lépine, Ottawa Area Office on Carling Avenue – January 1, 2013
Brother Serge Boivin, Saguenay Area Office – January 1, 2013
Brother Stan Marshall, National Office – January 1, 2013
Sister Lynn MacAskill, Alberta Regional Office – January 1, 2013
Brother Raymond Leclerc, Quebec Regional Office – January 1, 2013
Brother Robert Toop, National Office – March 1, 2013
Sister Lillian Dykau, Alberta Regional Office – March 1, 2013
Sister Donna Wright, Oshawa Area Office – March 1, 2013
Sister Elizabeth (Beth) Smillie, Saskatoon Area Office – March 1, 2013
Sister Lee-Anne Halifax, Trail Area Office – May 1, 2013
Sister Lise Giroux, National Office – July 1, 2013

CONCLUSION

We head into 2013 with many challenges, both internal and external, but are doing the necessary planning to ensure that we are in shape to meet them all. Our 50th anniversary year looks to be an exciting one, kicked off with our National Bargaining Conference in February. I hope you will encourage all the locals in your regions to send delegates to this important gathering.

In 2013 our union will also be celebrating the Year of the New and Young Worker. We hope to see many younger members at the bargaining conference. We are also turning our attention to the younger members who are moving onto our National staff. Organizing & Regional Services, Human Resources and other departments and our regional directors are collaborating to find the best ways to train, mentor and support new staff who have come into a different labour movement and workplace environment that what was experienced by our longer-term staff who are moving into retirement.

All of our work in the coming year must have one core objective: to protect our right to bargain on behalf of our members in every part of Canada. With focused campaigns and resources allocated in the right places, with the strength and commitment of our leaders, activists and members, we will succeed.

Sisters and brothers, I wish you all the best for a safe, restful and peaceful holiday season and a Happy New Year.

Respectfully submitted,



CHARLES FLEURY
National Secretary-Treasurer

:pmc/ceu