

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

Ottawa, Ontario
June 9-10, 2010

Sisters and Brothers:

Once again it has been a great convention season. It is always such a pleasure and a privilege for me to visit activists in each region of the country and participate in convention debates and the development of action plans for the coming year. This year, of course, the debates take on a sharp edge as we head into one of the toughest bargaining climates CUPE members have seen for some time. All across the country provincial governments are bent on reducing deficits on the backs of public sector workers with wage restraints and program cuts. Yet, through the first half of 2010, we have had no strikes in CUPE. A remarkable feat, given the climate for bargaining. However, the bargaining realities are beginning to show up in our revenues.

In December, I reported to you that the economic climate of 2009 and 2010 would begin to have an impact on our revenue through 2010. We took this into account with our revenue projections prepared for the 2010 budget. We expected to continue to gain wage increases for our members, but the pace of increase was expected to slow down. The first quarter results are demonstrating that wages are still increasing on the whole, however, negotiations are taking much longer. We have protracted negotiations in many regions with a large number of our membership. As a result, our revenue performance for the first quarter of 2010 is under our budget projection. This may mark the beginning of a slowdown in wage growth.

Our budget for 2010 projected we would close the first quarter with a deficit of \$1.6 million. However, we close the books on March 31 with a small surplus of \$21,000. Even though we are under budget on revenues by \$958,000, our spending is well under budget as well by \$2.6 million. This is largely due to timing issues with Strengthening Divisions, Anti-Privatization and Elections Spending which account for close to a million of the result. Each of these budget lines will be fully spent further into the year.

At the same time, we are under budget on salaries, due in part to a lower use of sick time than expected and the lag time in filling vacancies in the first three months of the year.

FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2010

General Fund

The total assets in the General Fund at March 31, 2010 were \$114.4 million compared to \$112.9 million at December 31, 2009. The bank balance at March 31, 2010 was \$10.5 million compared to \$6.1 million at December 31, 2009. Collection of per capita was strong in the first quarter, contributing to the large increase in the bank balance. The investment for Future Employee Benefits has increased \$5.9 million from one year ago as we continue along our roadmap to save for this important liability. Investments in capital assets slowed down somewhat in the first quarter of 2010 with the completion of both the new Maritimes Regional Office in Fredericton and the new office building in Saint John. Investment in the new software Human Resources Information System continues as work on this project is well underway and scheduled for completion in late 2010.

The total liabilities in the General Fund were \$71.1 million at March 31, 2010 compared to \$70.3 million at December 31, 2009.

Unfunded Liabilities

In the 2010 budget we approved an increase to the annual provision for the liability for Employee Future Benefits as we continue with our goals to be able to fully record the liability on the face of our Balance Sheet. As of the December 31, 2009 audited financial statements, there is still a gap of \$150 million between the actual liability and what we have recorded in these financial statements. Having said that, we are proud that we are making headway and have been able to record an additional \$4 million of this liability over the past year. The recorded liability stood at \$34.9 million at March 31, 2009 compared to \$38.9 million as of March 31, 2010.

The Fund Balance in the General Fund as of March 31, 2010 was \$43.2 million, compared to \$42.6 million as of December 31, 2009. Of this, \$6.0 million represents funds restricted to a specific usage (Convention and National Events Assistance, Fightback, Anti-Privatization and Regional Building Fund) and \$34.6 million is invested in capital assets.

The operating surplus (after the provision for the Regional Building Fund) for the first quarter of 2010 is \$21,000. This result is a combination of lower revenues than we anticipated for this quarter counterbalanced by expenditures coming significantly under budget as well.

Revenue is under budget by \$958,000. Our initial analysis indicates that revenues are lower than expected due to a number of large protracted negotiations. Wage increases, however, are close to our projections.

At the same time, total expenditures for the period were under budget by \$2.6 million (6.3%). Many of the categories that are under budget are mostly timing differences and at this point, we do not expect that expenditures will continue to come in under budget as the year progresses.

Below are some of the significant variances in expenditures:

1. Salaries and benefits are **underspent** by \$1.2 million.
2. Strengthening Provincial Divisions is **underspent** by \$679,000 which is simply a timing difference between when the expense was budgeted compared to when payments are made.
3. The Anti-Privatization budget is **underspent** for the quarter in the amount of \$429,000. In addition to the \$2.5 million 2010 budget, we also have \$253,000 from prior years available to be spent.
4. Election spending is \$152,000 **under** budget.

National Defence Fund

Assets in the National Defence Fund as of March 31, 2010 totaled \$7.2 million, virtually unchanged from December 31, 2009. Liabilities totaled \$5.5 million, leaving a Fund Balance of \$1.8 million.

Cost-share programs approved by the National Executive Board in March totaled \$937,000 which is 40% of the annual budget amount of \$2.3 million. Major Organizing expenses were \$589,000, while National Strategic Initiatives totaled \$356,000. Spending on Regional Strategic Initiatives also totaled \$96,000.

National Strike Fund

Total Assets in the Strike Fund as of March 31, 2010 were \$34.0 million, compared to \$30.7 million at December 31, 2009. These assets consisted of \$3.4 million in cash, \$1.6 million in per capita and accounts receivable, \$104,000 receivable from the General Fund and \$29.0 million in investments. Under Liabilities, there were accounts payable and accrued liabilities of \$331,000, and payables to the Defence Fund of \$44,000. Therefore, at March 31, 2010 the Fund Balance was \$33.6 million, compared to \$30.4 million at December 31, 2009.

Revenue into the Strike Fund, including investment income, was \$3.0 million. Expenditures in the period were in a recovery position of \$157,000, resulting in a surplus for the quarter of \$3.2 million.

STRIKES, LOCKOUTS AND SETTLEMENTS

Except for a one-day strike by Pointe-Claire, Quebec inside workers of Local 429, there have been no strikes or lock-outs in CUPE since my last report. At the same time many locals have been engaged in very difficult bargaining given the climate and many rounds of bargaining have been protracted this year as was stated above in our revenue analysis.

PER CAPITA ARREARS

The March 2010 arrears total at May 17 was \$5,838,035 which was a decrease of \$39,007 or 0.66 per cent from the February 2010 arrears report.

TECHNOLOGY REPORT

Technology continues work on enhancing our national network by expanding it to include all offices and all users. The installation and configuration of the network and equipment for this project is completed and the new network is currently undergoing testing. Once testing is finalized we will transfer operations to the new network. The expansion of this network is a key step in ensuring access to all of our technological applications and services for CUPE staff, regardless of where they may be performing their duties.

Other projects include the installation of new telephone systems in a number of CUPE locations which are undergoing renovation as well as the installation of a video-conferencing system in the British Columbia Regional Office.

The Human Resources Information System implementation continues with testing of the various components underway. In parallel, Technology is making modifications to all the systems that connect to HR in preparation for the new system going into production. This project is a cooperative effort between HR, Accounting, Technology and our vendor Avanti. Work is also underway to revamp the Local Union Information System (LUIS) to bring it up to date with the recently completed Per Capita System and CAIS and to connect it to its companion system (Maurice) in Quebec. Other major initiatives this year include updating and expanding CUPE Web and building an Intranet site for employees.

PROPERTIES AND LEASEHOLDS

Properties

The interior renovations of the new Atlantic Regional Office in Dartmouth, Nova Scotia are scheduled to begin in early June. Tender documents have been distributed to sub-trades and we are on schedule for September occupancy.

A motion will be presented at this Board meeting to complete the mortgage loan for Atlantic Regional Office building retrofit. Montrose Mortgage Corporation Ltd. provided the best terms, conditions and interest rates from those lenders surveyed (BMO, First National, Manulife, BNS, Caisse d'Économie and Montrose). In the short term, money from the Regional Building Fund will be used to pay the interior construction costs of \$1.8 million.

In Toronto, we submitted an Offer to Lease with an option to purchase a property on Commerce Valley Drive in Markham. A more complete assessment of the building and estimate of fit-up and renovation costs will be undertaken during the due diligence period. A motion will be presented at this Board meeting to complete this transaction.

The purchase transaction for the building in Brandon, Manitoba, housing our area office closed as scheduled on April 30, 2010.

In Sept-Îles, the AIFTQ purchased the entire second floor of an existing building which will be renovated and will house several unions. CUPE will be a participant in the project, acquiring approximately 239 square feet in the building, on a lease-to-own basis. Occupancy is targeted for August 2010. A motion will be presented at this Board meeting to complete the transaction.

Leaseholds

The Dalhousie Area Office in New Brunswick will be moving to premises owned by the Town of Dalhousie at the end of June. The Bathurst Area Office in New Brunswick will be relocating to new premises in Beresford, New Brunswick, in December 2010, on expiry of the current lease. The two new premises will be universally accessible and provide large boardrooms for our members to meet.

We took possession of new leased space in Windsor, Ontario on May 1, 2010. The space will be renovated to suit our requirements with the completion of tenant improvements and occupancy dovetailing with the expiry of the lease on existing premises (August 31, 2010).

The Hamilton Office in Ontario will be relocated to larger accommodations in a new office building in downtown Hamilton in early November 2010. Interior renovations to the space will begin in early July.

In Grande Prairie, Alberta, we submitted an offer to renew the existing lease for a further three-year period, beginning September 1, 2010.

We are continuing to explore lease renewal or relocation opportunities for the following offices: Thunder Bay, Ontario (February 20, 2011), London, Ontario (May 31, 2011),

Sault Ste-Marie (May 31, 2011), Sudbury, Ontario (June 30, 2011), Red Deer, Alberta (lease on overhold), Kelowna, British Columbia (September 30, 2010 expiry), and Terrace, British Columbia (July 31, 2011).

NATIONAL CONVENTION AND OTHER CONFERENCES

The next National Convention will take place in Vancouver, British Columbia in 2011 and then in Québec City in 2013. Contracts are in place for both of these events and we are now consulting for best options for our 2015 Convention.

The planning of the health care sector meeting is underway for October 2010 in Victoria, BC and the Sheraton Centre Toronto is booked to hold the Municipal Sector meeting for February 2011.

TRAINING AND DEVELOPMENT

Union Development staff offered many workshops and training sessions this spring with high levels of participation by activists and staff across the country. The spring is a busy time for weeklong schools in all regions and we are seeing record attendance at these schools.

Year of the Steward

There is much to report after the first six months of the *Year of the Steward*, including the following:

- Activities and events were organized for each division convention.
- A *Steward Action* banner was designed and produced.
- A *2010 Year of the Steward* poster went out in a general mailing resulting in over 1,000 orders.
- The steward pin was designed and produced and over 1,700 pins have been sold to date.
- The following modules of the Steward Learning Series were written and piloted at regional weeklong schools:
 - Handling Grievances
 - What's Our Duty?
 - Creating an Accommodation-Friendly Workplace
 - Handling Discipline and Discharge
 - Representing Members in Front of Management
 - Being an Ally for Equality
 - Challenging Racism in the Workplace
 - Learning about First Peoples

- Disability Issues for Stewards
 - Creating Gender Equality
 - Building Your Case
 - Conflict Resolution 101
 - Mediating Member-to-Member Conflict
- After meeting with the reference group and other consultations, the first draft of the new stewarding handbook is finished.
 - The new *Introduction to Stewarding* workshop is being piloted.

2010 Labour College

The second session of the 2010 Labour College took place from May 3-15 at the CAW Learning Center in Port Elgin, Ontario. Thirteen students completed their inter-session learning projects and the Labour College is working on publishing these projects. A graduation ceremony was held on Friday, May 14.

Member Facilitators

Both Ontario and the Maritime Regions are planning member facilitator training this fall. The response to the call for applications in Ontario has been fantastic and the Maritime Region is working on getting a request for applications out soon.

Other Happenings

Union Development staff assisted with developing workshops for the all-committees meeting in Montréal in March. Work with other departments and branches on the planning of the National Health Care Sector Meeting in November and the National Municipal Sector Meeting next February is also ongoing.

Union Development staff facilitated strategic planning sessions with leadership and staff in Nova Scotia on working with the NDP government. We also facilitated a political action think tank with staff from each region.

The new *Assertive Communication Workshop for Women* was offered in the Atlantic Region and the feedback was very positive.

I would like to take the opportunity to thank Sister Josey Finley, Managing Director of Union Development who is retiring from CUPE. This will be Sister Josey's final National Executive Board after 25 years of service in many capacities, secretary, servicing representative, education representative and education officer before heading up our Union Development department for the last year.

Josey's commitment to union education and to CUPE members have given us many years of valuable service always moving CUPE forward. Her leadership has resulted in many improvements and innovations, not the least of which is the 2010 Year of Steward, an idea that began with Sister Josey.

PENSION ADMINISTRATION

At the March 2010 Joint Board of Trustees' meeting, the consultant of the plan presented the CUPE Pension Fund investment performance results for the year 2009. During most of 2009, the Fund investment performance was above both the benchmark and the median pension fund in Canada. The Fund finished the year with a gross rate return of 19.20%. While the return has been significant for 2009, the Trustees must continue to monitor the solvency ratio of the plan which is below 100% at May 1, 2010.

Effective January 1, 2010, retirees under the CUPE Employees' Pension Plan will receive an increase in their monthly pension benefits of .066% of the Consumer Price Index (CPI). This represents 50% of the CPI. The increase is payable in June 2010, retroactive to January 1, 2010.

The Auditors of the CUPE Employees' Pension Plan have completed the audit of the Pension Fund and the 2009 Financial Statements will be presented to the Trustees at the June meeting for their approval. The reports will be posted on the CUPE Employees' Pension Plan website – www.cepp.ca.

The 2009 Report to Members is well underway and will be posted on the CEPP website over the summer.

Deaths

It is with sadness that we report the passing of the following:

Ms. Chantal Decelles, spouse of Jean-Pierre Cabana – March 6, 2010

Sister Darlene Doiron, BC Regional Office – May 2, 2010

Mr. Larry Albert Lockwood, spouse of retiree Sharon Lockwood – May 11, 2010.

Brother George Cole, retired, June 6, 2010

Retirements

Sister Shannon McManus, Ontario Regional Office – June 1, 2010

Brother Raymond Léger, Maritimes Regional Office – July 1, 2010

Brother Neil Bradbury, BC Regional Office – July 1, 2010

Sister Laurie Hitchens, Yarmouth Area Office – August 1, 2010

Sister Monique Bélair, National Office – August 1, 2010

Sister Nancy Matthias, National Office – August 1, 2010
Retirements (Cont'd)

Brother Malcolm Matheson, Saskatchewan Regional Office – October 1, 2010
Sister Doreen Meyer, National Office – January 1, 2011
Sister Josey Finley, National Office – February 1, 2011
Sister Lise Gray, National Office – February 1, 2011

CONCLUSION

As I stated at the top of my report, it has been a great convention season – busy as always. This year, the season was made even busier than usual with my trip to Haiti as part of a Public Services International delegation to assist our sisters and brothers in our sister union in Haiti, the Confederation of Public and Private Sector Workers (CTSP) want to build a better Haiti.

As you know, a devastating earthquake hit Haiti on January 12 this year. CUPE was quick to offer financial aid to the disaster seized country by pledging \$100,000. Nations, public service organizations and individuals all gave Haiti an enormous amount of financial support – I am sure many of you gave from your own pockets.

Unfortunately, decisions regarding the use of aid money and the priorities for reconstruction are being taken out of the hands of the Haitian people. It's being taken out of the hands of the Haitian people, the workers like you and me because the government, without a strong public sector, is unable to cope with the enormity of the task.

You can imagine that right now there is enormous pressure in Haiti to bow to private sector redevelopment. We think Haitians know best and should preside over their own construction. We think we should assist them in building their own public sector. We need to help build Haitian capacity to do just that. And that is why it is so important at this point that we offer all of the support and the solidarity to Haitian workers that we can.

CUPE is well situated to provide such support. Even though our revenues have fallen short this quarter, we have strengthened the structure of our finances with increased assets and spending controls that protect our campaign money and ensure we live well within our means. With that in mind I wish everyone a safe and happy summer.

Respectfully submitted,

CLAUDE GÉNÉREUX
National Secretary-Treasurer

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