NATIONAL SECRETARY-TREASURER'S REPORT

TO THE

NATIONAL EXECUTIVE BOARD

Ottawa, Ontario
September 21-23, 2010

Sisters and Brothers:

As CUPE members are well aware, this has been an incredibly eventful summer. We continue to face challenges in bargaining as provincial governments embark on each of their own version of wage restraint in the wake of last year's recession. As always CUPE is very good at fighting back. Public sector workers certainly did not cause the recession, and shortchanging public services and the workers who provide them is not the answer to recovery.

As a result of our strength and solidarity, our members have negotiated good wage increases in New Brunswick and Quebec in the context of government announced restraint. Similarly in Saskatchewan, health care workers across the province recently ratified an agreement which preserves seniority rights in the area of lay-offs, provides improved shift differentials and full retroactivity on the wage rates for members (including retirees and those on lay-off). This agreement was achieved after two years of difficult negotiations made so by the Saskatchewan government's essential services legislation that deemed more than 80 per cent of CUPE's health care providers essential and unable to strike.

Our success in these situations bodes well for current challenges in Ontario, where the government has invited us to a "consultation process" at the same time it announced that they expect zero compensation increases over the next two years. Of course, we question the legitimacy of this consultation process when the government has stated so clearly that it has already set its policy course. One thing remains crystal clear: we will not allow any interference on our collective bargaining rights.

The same fights are taking place all across the country. Whether it be increased threats of privatization as is the case in British Columbia or a very difficult bargaining climate as is the case in many other provinces and sectors, CUPE members are poised to fightback and protect our rights, our jobs and our public services. And our Defence Fund demonstrates that CUPE members are indeed fighting back. Below is reported the second quarter Defence Fund results revealing that the NEB has approved cost-share campaigns totaling over 80 per cent of the annual allocation. In front of the National Executive Board for approval at this meeting are an additional 16 cost-share campaigns, which will bring us close to our annual $2.3 million budget, leaving a surplus of $90,000 for the rest of the year. Locals continue to fight privatization through our cost-share program, as well as campaign to support bargaining.

Overall, our finances continue to be strong in spite of the difficult bargaining climate. As I reported to you in December and again in June, our revenue stream is being affected by the recession and subsequent attack on the public sector. The first quarter results reported to you in June revealed our revenue was under budget by close to $1 million.

However, in our budget deliberations for 2010 we had planned for this slow down in, revenue growth. Now, our second quarter results demonstrate that we are largely on track. For the second quarter, our budget projected a deficit of $1.6 million which will even out to a balanced budget by year end. We end the second quarter with a much smaller deficit than planned, in fact just under $5,000. This result demonstrates two important factors with our budget. The first is that the revenue stream is moving to meet our expectations for the year as it is up slightly from the first quarter. The second factor is spending. Our spending on big ticket items such as Anti-privatization and Strengthening Provincial Divisions tends to be spent in the second half of our fiscal year. Therefore, we are well under budget on the spending side. Add to this the fact that our Fightback Fund shows under spending, when in reality this Fund will not be spent unless a government moves to restrict our rights to free collective bargaining with legislation. That is the reason the fund was set up by the National Executive Board and it will be protected so it is there when CUPE members need it.

All of this points to the fact that getting our financial house in order, which we have moved steadily forward on over the last ten years, has ensured that we are ready for tough times and that CUPE remains strong to defend our right to decent wages and benefits, our jobs and our services.

At this meeting of the National Executive Board, our elected Trustees will report their findings on our financial administration and management. Similarly, I will report on savings achieved through our policy of owning versus leasing properties and our progress on the “road map” to provide for the unfunded liability for Employee Future Benefits.

FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2010

General Fund

The total assets in the General Fund at June 30, 2010 were $115.5 million compared to $114.4 million at March 31, 2010. The bank balance at June 30, 2010 was $10.8 million compared to $10.5 million at March 31, 2010. Included in our cash position is $6.4 million of funds reserved for specific purposes such as the Regional Building Fund, retirement payouts, employee future benefit funding, the 2011 convention, retroactive wages and replacement of furniture and technology equipment. This quarter saw our investment in properties continue with the purchase and completion of interior renovations in our now owned property in Brandon, the final touches on the new building in Saint John and the kick off of the interior retrofit of the new office building in Halifax that was purchased last year.

The total liabilities in the General Fund were $72.7 million at June 30, 2010 compared to $71.1 million at March 31, 2010.

The Fund Balance in the General Fund as of June 30, 2010 was $42.8 million, compared to $43.2 million as of March 31, 2010. Of this, $6.3 million represents funds restricted to a specific usage (Convention and National Events Assistance, Fightback, Anti-Privatization and Regional Building Fund) and $35.3 million is invested in capital assets. We continue to post a strong financial position as indicated in the Balance Sheet which shows we have a ratio of total assets to total liabilities of 1.6:1.

The operating deficit (after the provision for the Regional Building Fund) for the first half of 2010 is $4,748. Because many of our expenditures occur at the beginning of the year, we expect to be in a deficit position at this point in the year. The activity in this first half of the year resulted in a combination of lower revenues than budgeted counterbalanced by expenditures coming significantly under budget as well.

Total revenue is under budget by $723,000. Our initial analysis indicated that the first quarter revenues were lower than expected due to a number of large protracted negotiations even though wage increases were close to our projections. In the second quarter of 2010 revenue has come back into the expected range and was on budget. However, due to the lag in the first three months, our per capita revenue is still behind $1.0 million from the budget.

At the same time, total expenditures for the period were under budget by $2.3 million (2.9%). 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. The Anti-Privatization budget is **underspent** for the six months in the amount of $568,000. In addition to the $2.5 million 2010 budget, we also have $254,000 from prior years available to be spent.

2. Strengthening Provincial Divisions is **underspent** by $303,000 which is simply a timing difference between when the expense was budgeted compared to when payments are made.

3. The Fightback Fund budget line is **underspent** by $165,000.

4. National Committees are **overspent** by $188,000. We believe this to be a timing difference due to the extra costs involved in an ‘All Committees’ meeting which is always held at the beginning of a year following a convention year.

Unfunded Liability

We continue to make headway on recording the unfunded liability for Employee Future Benefits on the face of our Balance Sheet. The recorded liability stood at $39.8 million at June 30, 2010 compared to $38.9 million as of March 31, 2010 and $37.9 million at December 31, 2009. Based on the December 31, 2009 audited financial statements, the actual liability stands at $204 million which means we have 19.5 per cent of the liability provided for in our financial statements.

In 2005, the National Executive Board established a “road map” aimed at making annual investments to begin to make provision for the liability. Our original “road map” projected that by 2011 we would have 26.7 per cent of the accrued liability provided for. Due to the downturn in financial markets, we have fallen well behind our projections. Therefore, in this year’s budget we increased the amount we are contributing each year to fund this liability. Our annual commitment is $900,000 additional per year toward the unfunded liability up from $500,000 additional per year. That means $900,000 in addition to the previous year’s investment each year. As a result, our annual contribution in 2019 will stand at $11,580,000. With compounded interest, our annual contributions will result in over $148 million set aside against a projected liability of $308 million or 48 per cent of the liability provided for in our financial statements by 2019.

Given that the goal is to have this liability funded, our elected Trustees asked to see our projections up to 2029 to see if the increased annual commitment to the unfunded liability will keep us on track. So we have done the math. With our investment increasing by $900,000 each year and providing for compounded interest earnings, based on conservative investment assumptions, our provision for Employee Future Benefit liability should be $426 million by 2029. Unfortunately, we do not have the projected benefit obligation past 2019 provided to us by actuaries at which time the projected liability is $308 million.

Think of it this way, our liability will grow from $204 million in 2009 to $308 million in 2019. It will grow by 50% in ten years. Our funding will grow from $40 million in 2009 to $426 million in 2029. While the liability will grow by one and half time in 10 years, our funding will grow 10 fold in 20 years. We should be close to a match.

National Defence Fund

Assets in the National Defence Fund as of June 30, 2010 totaled $7.6 million, compared to $7.2 million at March 31, 2010. Liabilities totaled $5.2 million, leaving a Fund Balance of $2.3 million. To date in 2010, revenue has outpaced spending leaving a small surplus for the first six months of $479,000.

Cost-share programs approved by the National Executive Board in the first half of the year totaled $1.8 million which is 80% of the annual budget amount of $2.3 million. Major Organizing expenses were $1.2 million, while National Strategic Initiatives totaled $696,000. Spending on Regional Strategic Initiatives also totaled $202,000.

National Strike Fund

Total Assets in the Strike Fund as of June 30, 2010 were $36.9 million, compared to $34.0 million at March 31, 2010. These assets consisted of $5.6 million in cash, $1.7 million in per capita and accounts receivable, $106,000 receivable from the General Fund and $29.5 million in investments. Under Liabilities, there were accounts payable and accrued liabilities of $112,000, and payables to the Defence Fund of $44,000. Therefore, at June 30, 2010 the Fund Balance was $36.8 million, compared to $33.6 million at March 31, 2010.

Revenue into the Strike Fund, including investment income, was $6.2 million. Expenditures in the period totalled $103,000, resulting in a surplus for the first six months of $6.1 million.

STRIKES, LOCKOUTS AND SETTLEMENTS

In Ontario, the strike by 42 members of Local 966 came to an end on July 19, 2010. The drivers with the Canadian Red Cross in Mississauga had been on strike since June 7 for a first collective agreement for better wages and working conditions. The strike concluded with improved wages and reducing the pay grid from 15 steps to 5.

In Quebec, 900 members of Local 375, the Montréal Longshoremen, were locked out by their employer on July 19 for five days. Bargaining resumed with an agreement to end the lock-out. The longshoremen of the Montreal harbour have been without a contract since December 31, 2008. On September 10, after returning to the bargaining table, a four-year agreement was concluded between both parties. The agreement provides for increases between 1.5% and 2.5%. Local 375 members are currently voting on the agreement. CUPE is the largest union in the dock-working industry in Quebec. The longshoremen at the ports of Montréal, Quebec, Matane, Contrecœur, Sorel-Tracy, Trois-Rivières, and Bécancour are all affiliated to CUPE.

In New Brunswick, 3 members of Local 4576, Sainte-Anne-de-Madawaska Municipal Employees were locked out on June 16 by the village council. The municipality wants to freeze salaries, reduce benefits, and eliminate jobs, in addition to going after the seniority and guaranteed hours of work clause in the collective agreement. The collective agreement of Local 4576 expired in December 2009.

PER CAPITA ARREARS

The June 2010 arrears total at August 16 was $8,112,191.70 which was an increase of $1,006,996.94 or 14.17% over the May 2010 arrears report. We continue with follow-up letters to locals in order to receive timely payment of per capita. In addition, staff in each region are notified of arrears situations and follow-up with their assigned locals. This active pursuit of arrears has worked well over the last number of years. The current arrears of just over $8 million is typical for this time of year and we expect we will experience a catch-up as locals resume normal activities after a summer break.

TECHNOLOGY REPORT

Technology staff continue to work on enhancing our national network by expanding it to include all offices and all users. The installation and upgrade of the new network and equipment for this project is completed with half of the regional offices now operating on the new network. The remaining regional offices will be transitioned to the new network by the fall and the old network decommissioned. The expansion of this network is a key step in ensuring access to all applications and services for CUPE staff regardless of where they may be performing their duties.

A new video-conferencing system installed in the British Columbia Regional Office has been completed and training was provided to users in the BC office. Currently, we are waiting for the final installation of data lines for the system to be completed and available for use.

The Human Resources Information System (HRIS) continues to progress with the bulk of configuration and testing complete. Next steps are to move data from the old HRIS system into the new one and continue testing. This project is a cooperative effort between HR, Accounting, Technology and our vendor of choice, 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. A lot of work has been completed on the design for LUIS with components under development.

Progress on the CUPE website redesign continues with the team focusing on defining the direction and needs of the website for CUPE and the various groups of users; members, staff, the general public and the media.

Finally, the dispute between CUPE and Bridgetech (our technology supplier in 2001) has turned a corner and is into the homestretch. Many members and staff will recall that in December 2001 we uncovered several financial improprieties with Bridgetech, to whom we contracted out our technology needs, both software and hardware. Bridgetech has since ceased to exist but our legal battles have continued with its owners.

Due to the discovery of financial impropriety, we ended our relationship with this supplier and notified the authorities. We also developed our own in-house technology services. However, ending our relationship with this firm resulted in charges being laid against Bridgetech and its owners, who in turn sued CUPE for non-payment of lease agreements.

That lawsuit against CUPE has come to an end with CUPE vindicated and the lawsuit dismissed. It puts an end to legal claims against CUPE by Bridgetech for good. However, we will be able to recoup our costs from this battle which will see the saga continue for a little longer while the court determines the amount to which CUPE is entitled. At the same time, we have a counter suit against this firm to recoup some of our financial losses that were the result of Bridgetech's illegal business practices.

PROPERTIES AND LEASEHOLDS

In 2003, we embarked on a policy of owning rather than leasing office space. As a result of this policy CUPE now owns 15 properties across the country, a parcel of land in Victoria for a future office and 9 lease to own arrangements in Quebec. As I have stated in many reports and presentations to the membership, this policy has not only saved us money, it has improved our financial situation by increasing our assets. Just as importantly, this policy has proven to create a great deal of pride in our organization among members as well as given improved recognition in the communities in which we live and work. While I have been saying this for some time, what are the actual numbers? How much has this policy saved us over the last number of years? Appropriately, I was asked this at our last meeting of the National Executive Board.

By calculating the number of square feet of each of our owned offices times the current market rent in each of their respective communities, we arrive at the amount we would be paying in rent. If we subtract from that our depreciation expense on our building assets and any cost of borrowing, we arrive at the amount we save by not paying rent. For 2010, the savings is a full $1 million.

Properties

The interior renovations of the new Atlantic Regional Office in Dartmouth, Nova Scotia are scheduled to be completed by mid-September with occupancy targeted for September 15. The design of the extensive renovations has enabled the building to qualify for a LEED Gold Standard under the LEED-Canada commercial Interiors Certification Program. The project is on schedule and on budget.

In Toronto, our Offer to Lease with an option to purchase a property on Commerce Valley Drive in Markham was accepted. The 15-year Lease Term on this 68,010 square foot space will begin May 1, 2011 and provides for a purchase option which can be exercised at any time during the first thirty-six months of the Lease Term at an established purchase price of $225. per square foot ($15,302,250). We are currently planning the renovations of this property so that it meets our needs for the Ontario Region.

Leaseholds

The lease for the Kenora Area Office in Ontario has been renewed for an additional five-year period, ending March 31, 2015.

The lease for the Grande Prairie Area Office in Alberta has been renewed for an additional three-year term, ending August 31, 2013.

The Windsor Area Office was relocated from a neighborhood shopping centre to an office complex in August. The new 4,555 square foot premises, secured by way of a five-year lease, has been substantially redeveloped to suit CUPE's spatial requirements and such improvements have incorporated several energy efficient features into the design.

Construction of the interior improvements for the new Hamilton Area Office is now underway with occupancy targeted for November 1st. The new five-year lease provides that, of the total $270,000 estimated costs of the tenant improvements, the Landlord will contribute $198,000 toward such costs. Greening and energy efficient initiatives have been incorporated into the design of the interior improvements.

In Burnaby, British Columbia, we acquired additional space on the first floor as at September 1, 2010.

We are exploring lease renewal or relocation opportunities for the following offices: Thunder Bay, Ontario (February 20, 2011 expiry); Peel, Ontario (April 30, 2011 expiry); London, Ontario (May 31, 2011 expiry); Sault Ste-Marie, Ontario (May 31, 2011 expiry); Sudbury, Ontario (June 30, 2011 expiry); Red Deer, Alberta (lease on over hold); Kelowna, British Columbia (September 30, 2010 expiry); and Terrace, British Columbia (July 31, 2011 expiry).

NATIONAL CONVENTION AND OTHER CONFERENCES

The Health Care Sector Meeting will take place from October 20 to 22, 2010 at the Victoria Conference Centre in Victoria, British Columbia. We have reserved a block of rooms at the Fairmont Empress hotel next to the Conference Centre. Delegates can register on-line at http://cupe.ca/health-care/register-cupes-national-health-care.

Planning is underway for the Municipal Sector meeting in Toronto next February. The Sheraton Centre in Toronto is booked and registration material will be sent to locals shortly.

Our next National Convention will take place in Vancouver, British Columbia, October 31 to November 4, 2011.

TRAINING AND DEVELOPMENT

Steward Learning Series

The final Steward Learning Series modules have been completed and all of the modules will be piloted at various schools in the regions this fall and winter.

We are in the process of producing a flyer with descriptions of each module as well as the requirements for getting a certificate and a pin. Here is the list of modules for Stewards Training:

Mandatory modules:

- Being an Ally for Equality
- Creating an Accommodation Friendly Workplace
- Handling Discipline and Discharge
- Handling Grievances
- Representing Members in Front of Management
- Stewards Rule!

Building your case:

- Challenging Homophobia in the Workplace
- Challenging Racism in the Workplace
- Conflict Resolution 101
- Creating Gender Equality
- Creating a Harassment-Free Workplace
- Disability Issues for Stewards
- Green Action for Stewards
- Health and Safety 101
- Learning about First Peoples
- Mediating Member-to-Member Conflict
- Mobilizing Your Workplace
- Note-taking
- What a steward needs to know about Arbitration
- Winning a Grievance without Going to Arbitration
- Hot Topics/Current Issues – starting with a module on Anti-privatization

We are very excited about the work that is taking place on the new steward handbook. A draft will go to the field for testing by members and staff early this fall.

Member Facilitator

A combined member facilitator training session is planned for Manitoba, Saskatchewan and Alberta in November to familiarize facilitators with the various modules.

Financial Officers Workshop

We are pleased to say that the revisions to the Financial Officers workshop are now finalized, with much less paper and clearer directions for a very complex job. In addition, the ledgers are now functioning well and downloadable at cupe.ca.

Retirement Planning Workshop

The new Retirement Planning workshop will be ready to be piloted this fall.

Staff Changes

Sister Lise Gray is retiring as a Senior Officer at the National Office after 28 years of service to CUPE. We will especially miss her technological wizardry and her commitment to French language education. Thank you also to Sister Lise for acting as Managing Director over the summer. Welcome Sister Susan Ruffo who stepped in as Managing Director on September 7.

PENSION ADMINISTRATION

The Trustees have met with the Settlors on September 9 for their Annual Meeting to discuss the final results of the Actuarial Valuation at 1.1.2010 and other activities of the CUPE Employees' Pension Plan.

The Trustees are continuously monitoring closely the CUPE Pension Fund Investment Performance. The performance of the plan is below the benchmark *(standard set by the market against performances of other funds)* but above the median *(middle value)* pension fund in Canada for the 2nd quarter of 2010. The solvency ratio has significantly decreased since January 1, 2010 and is estimated to be 88.3% at August 1, 2010. The decrease in the plan is mainly due to the unfavorable investment performance of the fund.

The CUPE Employees' Pension Plan website – www.cepp.ca was recently updated with the 2009 Report to members, including the 2009 Financial Statements as well as the Member booklet.

The 2009 annual statements were mailed to all active plan members in June 2010 and to all retirees in August 2010.

Three or possibly four pre-retirement seminars will be held in the fall of 2010 for eligible plan members and their spouses. This year the seminars will take place in Halifax, Toronto and Montreal. Topics covered include psychological adaptation to retirement, pension and benefit entitlements, and financial planning.

Deaths

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

Mr. Raymond Desrochers – spouse of retiree Sandra Sorensen – April 26, 2010
Mr. Charles Ravizza, spouse of retiree Anne Ravizza (Airline Division) – May 23, 2010
Brother George Cole, retiree, BC Regional Office – June 6, 2010
Sister Elva (Ginger) Dunkley, retiree, BC Regional Office – July 8, 2010

Retirement

Brother Dennis Lewycky, Manitoba Regional Office – July 1, 2010
Sister Lynne Beattie, Hamilton Area Office – July 1, 2010
Brother Richard Gauthier, Cornwall Area Office – September 1, 2010
Brother Merdith McDonald, Ottawa Area Office – October 1, 2010
Brother Michel Sauvé, North Bay Area Office – November 1, 2010
Sister Jean Gordon, Kingston Area Office – November 1, 2010
Sister Laura Moore, Windsor Area Office – November 1, 2010
Sister Tammy Simonds, Victoria Area Office – January 1, 2011
Brother Jim Swaok, National Office – January 1, 2011

CONCLUSION

As reported in my introduction, CUPE remains financially strong as we head into more challenging times ahead. It is gratifying on a number of fronts that we have been able to do so. As stated, we are able to continue to defend our collective agreements, our rights, and our jobs.

These factors are certainly responsible for the great reputation our union has among our members, but also among other unions. This reputation has played a role in the choice made by 500 bus drivers in the City of Laval, Quebec, who were until very recently represented by the Centrale des syndicats du Québec (CSN). In a secret ballot held on September 13, they voted 88.5% in favor of affiliating with CUPE.
I wanted to acknowledge and welcome them into our big family.

We continue to fight for social justice and equality and to fight privatization in the interests of strong communities and working people. And, I am particularly gratified that we are also able to continue our strong international work.

In August we were able to donate $50,000 to disaster relief in Pakistan. The devastation hitting the people of Pakistan continues to grow daily and I urge all CUPE locals to lend their support to the fundraising efforts for these people.

Also, as I write this report, I am making preparations to lead a CUPE delegation to Columbia in the first week of September to participate in the Public Services International meeting of the Inter Americas region (IAMERC). This meeting will see CUPE members involved in working with other public sector unions in the Americas on an Action Plan to save public services. In addition, there will be a special meeting of the affiliates involved in assisting the re-building of Haiti and our direct assistance to our sister union in Haiti. Further, in December CUPE will send a delegation to Mexico to once again participate in the UN Climate Change discussions and pushing for a legally binding agreement to take global action on climate change.

Here at home, specifically, National Office, we will wish a warm farewell and all the best in retirement to Brother Jim Swaok. Jim has announced his intention to permanently hang his “Gone Ice Fishing” sign and retire on December 31, 2010 after close to 40 years of service and activism with CUPE members. I want to take this opportunity to thank Jim for the strong leadership and support he has provided to all staff across the country over the past three years as Managing Director of Organizing and Regional Services. And, I want to thank him for his friendship, support and advice given to both Paul and I. I know Jim will enjoy the additional time with his family.

Finally, I want to extend a warm welcome to my new Executive Assistant, Sister Pat Daley who began work in my office on September 2. Pat has provided many years of service to CUPE members in Ontario as a communications officer. I know her expertise will be missed in the Ontario Region, but I am very happy to have her serve CUPE members in her new capacity in my office. Pat replaces Sister Pam Beattie who has moved to Brother Paul’s office to take on new challenges. I know everyone will join me in welcoming Sister Pat. That said, I want to thank Pam.

Respectfully submitted,

CLAUDE GÉNÉREUX
National Secretary-Treasurer

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