

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

Ottawa, Ontario
December 14-15, 2011

Sisters and Brothers:

It is with great pleasure that I offer my first National Secretary-Treasurer's Report to the CUPE National Executive Board for adoption.

I would like to thank Brother Claude for leaving CUPE's finances in such good shape with no surprises. This report on revenue and expenses in our third quarter reflects his steady hand on the tiller. It is my intention to continue on the course that Brother Claude has charted – with your support – over the last decade. That means continuing a prudent approach to managing our union's finances so that we are able to maintain and build our national programs while providing the assistance our locals need in the face of a growing attack.

Our members have faced significant challenges to their working conditions and rights in 2011. We know that these attacks will continue in 2012. The important thing is that we are fighting back with all the resources on hand.

While the Anti-Privatization budget is underspent so far this year, this has more to do with the time lag in receiving and processing invoices than anything else. We expect the budget to be fully spent by the end of the year.

Another important indication of our locals' fightback campaigns is the use of the cost-shares budget in the National Defence Fund. We are over budget in that area and will add to the overspending with the cost-share requests we are asking you to approve at this meeting. Our locals are undertaking significant campaigns. Some of the most significant campaigns – because of their impact on tens of thousands of members and the patterns that could be set – are in Toronto. The reality of campaigning to win the hearts and minds of residents in Canada's largest city is that the costs are huge.

We have to do whatever we can to limit the assault on our members by the anti-worker forces of the world. In this report, you will see that there are some areas of our



budget where we can look to reduce our spending based on our own history, so that we can redirect some of those funds into other areas mandated by our National Convention and the strategic priorities set by delegates.

We have underspent again this year on Fixed Travel and also, right across the country, on Office Expenses.

With a Stephen Harper majority and an NDP official opposition, we must maintain our level of political activity. Nevertheless, we will not have the same number of federal and provincial elections in 2012 as we participated in during 2011. That budget will also be reviewed.

In the area of labour relations, I am happy to report that we have completed bargaining with our staff unions and are beginning again with COPE, whose collective agreement expires on December 31, 2011. At the time of writing, we had a meeting with COPE in late November where we hoped to begin discussions on the solvency issue facing our CUPE Employees' Pension Plan. However, COPE executive elections take place in mid-December. Once elections are completed, COPE will quickly send us their bargaining proposals so that we can begin negotiations in the new year.

Of course, the big event this year was our National Convention in Vancouver. It was an occasion full of "firsts" – the first time we had a total of 2,302 registered delegates and alternate delegates; the first time we held a Youth Council, and the first time our convention was carbon neutral. I would like to thank everyone who helped to make this convention a success and also say "thank you" to our hosts, CUPE BC. In particular, I want to thank all the delegates, whose respectful debate allowed us to adopt a record number of resolutions.

At this meeting, I will also present a proposed 2012 budget for your approval. This was the first task in learning my new role as National Secretary-Treasurer. In addition, I was able to attend the National Energy Sector Conference in Winnipeg in November. The locals in that sector have several tasks to take on after two busy and productive days, including participating in the development of a national environment policy following the adoption of Resolution 94 at convention; mapping provincial energy policies and possible privatization attempts with an eye to developing a national campaign, and encouraging locals in the sector to participate in the National Bargaining Conference in 2013.

Congratulations to Local 998 for mobilizing with CUPE Manitoba and other allies to push back against the Conservative plan to privatize Manitoba Hydro and for helping to re-elect the NDP government.

FINANCIAL STATEMENTS FOR THE PERIOD ENDED September 30, 2011

General Fund

The total assets in the General Fund at September 30, 2011 were \$138.9 million compared to \$135.2 million at June 30, 2011. The bank balance at September 30, 2011 was \$28.6 million compared to \$18.0 million at June 30, 2011. Included in our cash position is \$18.3 million of funds reserved for specific purposes such as the Regional Building Fund, retirement payouts, employee future benefit funding, the 2011 convention and retroactive wages. It is expected our cash reserves will start to be reduced in the fourth quarter of 2011 as we pay out retroactive wages and begin significant payments on the Toronto building project. The market value of our investment monies reserved to fund Employee Future Benefit expenses fell slightly in this third quarter and now stand at \$23.9 million.

Fixed assets have increased \$1.1 million in this third quarter of 2011. Construction of the new office space to house the Ontario Regional Office is now underway and expenditures in the quarter totaled \$750,000 with total expenditure on the project now at \$1.9 million. We purchased the building that will house our new Ontario Regional Office on October 5 and that transaction will show on our next quarterly financial statements. Planning and design work has begun on an expansion building for the National Office with total costs of \$113,000 in the quarter. Work has begun on a physically accessible building to replace our existing office building in Charlottetown, Prince Edward Island with a completion date targeted in the late spring of 2012.

The total liabilities in the General Fund were \$88.1 million at September 30, 2011 representing an increase of \$3.8 million from June 30, 2011.

We continue to make headway toward recognizing our obligations for employee future benefits. The booked liability stood at \$49.1 million at September 30, 2011 compared to \$45.5 million at December 31, 2010. The actual total liability at December 31, 2010 is \$216 million. Progression along the roadmap updated in the 2010 budget process will hopefully see us continue to make progress toward booking the entire liability on our Balance Sheet over the next 20 years.

The Fund Balance in the General Fund as of September 30, 2011 has reached \$50.8 million, virtually unchanged from June 30, 2011. Of this, \$8.6 million represents funds restricted to a specific usage (Convention and National Events Assistance, Fightback, Anti-Privatization and Regional Building Fund) and \$37.9 million is invested in capital assets.

The operating surplus after provision for the Regional Building Fund for the first nine months of 2011 is \$4.7 million. Per Capita revenue is over budget by \$3.4 million. At the same time, expenditures for the period were under budget by \$3.9 million.

Below are some of the significant variances in expenditures:

1. Salaries and benefits are **underspent** by \$1.1 million for the first 9 months of the year. The largest contributor to this is the time it is taking to fill the new HR positions that have been added to the budget.
2. The Anti-Privatization budget is **underspent** for the year so far in the amount of \$828,000. It takes time to collect and process all the invoices for this budget line and we do expect it to be fully spent by year end. In addition to the \$2.5 million 2011 budget, we also have \$356,000 from prior years available to be spent (\$253,000 from 2009 and \$103,000 from 2010).
3. Fixed Travel is **under** budget by \$603,000 or 7.6%. In 2011, the budget for fixed travel was reduced by 3.9% as historical analysis showed it was consistently underspent over the past few years. With budget preparations for 2012 underway as I write this report, I can advise that we will be further reducing this budget line for 2012.
4. Election spending is currently \$408,000 **under** budget but is expected to be spent in full for 2011. At the March 2011 NEB it was noted that there will be financial room for this budget line to in fact be overspent by \$300,000 in 2011 reflecting the unusual level of election activity at both the federal and provincial levels this year.
5. Office Expenses is running \$375,000 **under** budget. Analysis shows the underspend is fairly consistent across the country. This budget line will be carefully reviewed for 2012.
6. NEC/NEB Other is running \$233,000 or 91.4% **under** budget. The spending pattern in this budget line over the past five years has been a steady and significant decline. We will review this spending line carefully for 2012 to determine an appropriate budget level.

National Defence Fund

Assets in the National Defence Fund as of September 30, 2011 totaled \$8.0 million, compared to \$7.1 million at June 30, 2011. Liabilities totaled \$4.6 million, leaving a Fund Balance of \$3.4 million. Total revenue for the first nine months of 2011 is \$6.3 million against expenditures of \$6.2 million leaving a small surplus for the period of just under \$100,000.

Cost-shared campaigns approved by the National Executive Board in 2011 to date totaled \$2.8 million, representing 123% of the annual budget. Major Organizing expenses were \$1.5 million, while National Strategic Initiatives totaled \$1.3 million. Spending on Regional Strategic Initiatives for the first nine months totaled \$558,000.

National Strike Fund

Total Assets in the Strike Fund as of September 30, 2011 were \$53.0 million, compared to \$49.7 million at June 30, 2011. These assets consisted of \$6.0 million in cash, \$1.9 million in per capita and accounts receivable, and \$45.1 million in investments. Under Liabilities, there were accounts payable and accrued liabilities of \$703,000, and payables to the Defence Fund of \$11,000. Therefore, at September 30, 2011 the Fund Balance was \$52.3 million, compared to \$49.6 million at June 30, 2011.

Revenue into the Strike Fund, including investment income, was \$9.9 million. Expenditures for the period were \$2.2 million. This results in a net surplus for the first nine months of 2011 of \$7.7 million.

STRIKES, LOCKOUTS AND SETTLEMENTS

Local 7498, University of Sherbrooke – rotating strikes began July 5, 2011; on general strike since August 26, 2011. About 1,300 support staff have had no contract for nearly four years; but for 120 research staff, it has been more than 65 months – almost 5½ years.

Local 3338-5, Simon Fraser Student Society - a settlement was reached on October 7, 2011 with the assistance of a mediator. The three-year agreement protects the wages and job security of all current staff and includes a 1 per cent increase in the third year.

PER CAPITA ARREARS

The September 2011 arrears total at November 15 was \$7,079,666.35 which was an increase of \$1,834,207.14 or 34.97% over the August 2011 arrears report.

TECHNOLOGY REPORT

Throughout this year technology has continued work on many long term projects that will not complete until 2012. Operations, while continuing to provide day to day support to staff, was also concentrating on installing new phone systems in five of our area offices and the Saskatchewan Regional Office, continued testing of wireless systems, coordination of network and phone systems for the new Ontario Regional Office and network maintenance.

The HRIS project (Human Resources Information System) is in the final stages of completion. Parallel testing of the data began at the beginning of December with a targeted go live date for the beginning of 2012. This has been a very long project but an exciting one as the new system will give us functionality we currently do not have as well as leave us well positioned to expand HR services as we move into the future.

Development work is ongoing for the LUIS project (Local Union Information System), which is targeted for completion in 2013. Additional work is also underway to ensure the existing LUIS, Per Capita, CAIS and Vehicle Management Systems are integrated with the new HRIS system. Other projects that are in the design phase include a new Member Training database for Union Development, an employee directory to be included as part of the Intranet and an upgrade to our financial system Solomon.

PROPERTIES AND LEASEHOLDS

Properties

In October CUPE completed the purchase of the property at 80 Commerce Valley Drive in Markham, Ontario, with receipt of \$16 million in mortgage financing from Citizens Bank. Construction of the internal retrofit is well underway and tendering is mostly complete. The project is proceeding within budget and on schedule. Occupancy continues to be targeted for April 2012.

Planning has been continuing for a new two-storey, 22,500 ft² building on the portion of the National Office site located at 1378 Triole Street for the Ottawa Area Office. The site plan has been submitted to the City of Ottawa for approval and CSV Architects are working on plans and specifications for tendering by PCL Constructors Canada Inc. Construction is scheduled to commence in the spring of 2012 with occupancy in January, 2013.

We are currently reviewing the preliminary estimates received for the construction of the new Charlottetown Area Office in Prince Edward Island. Our building at 100 Capital Drive has been sold. Closing is scheduled for November 30, 2011 with CUPE leasing the premises back from the purchaser on a six-month lease ending May 31, 2012 with option to renew on month-to-month basis until our new building is ready for occupancy.

The parcel of land purchased in Victoria in May 2008 will be sold to an independent party. CUPE National had planned to construct a building to be co-owned with three CUPE locals. It was determined by consensus that for economic reasons and due to unforeseen changes in direction with some of the locals, the project is no longer feasible. A motion will be presented at this Board to ratify the sale.

Leaseholds

We are in discussions with the landlord for the St. John's Area Office in Newfoundland for a one-year extension to the scheduled expiry of the current lease to April 30, 2013.

We are exploring a lease renewal for the New Glasgow Area Office, Nova Scotia.

In Dauphin, Manitoba, we propose to renew the existing lease for a five-year period to July 31, 2017 and are awaiting a lease proposal from the landlord reflecting our stated requirements for minor improvements and renovations at the landlord's cost.

In Lethbridge and Medicine Hat, Alberta, we are awaiting a five-year renewal proposal from the landlord, renewing our tenancy in these existing premises to October 31, 2017 and November 30, 2017 respectively.

In Edmonton, Alberta, we continue our investigations to identify potential alternate lease accommodation for the relocation of the Alberta Regional Office in Edmonton.

We approached the landlord for the Kelowna Area Office in British Columbia seeking a three-year renewal of the current lease to September 30, 2015.

NATIONAL CONVENTION

The National Convention held at the Vancouver Convention Centre saw a total of 2,131 registered delegates and 171 registered alternate delegates, as well as 112 observers in attendance.

A total of 557 delegates were registered for the sectoral meetings held on Sunday, October 31. The Health Care Sector meeting drew in the largest group with a total of 275 registered delegates in attendance.

A tribute video to Mr. Jack Layton and a farewell to Brother Claude Généreux were viewed. The delegates enjoyed five days of entertainment organized by Mayworks, the convention proceedings and various meetings organized throughout the week. Social receptions such as the Delegates' Reception and CUPE Dance and Cabaret were very popular with both CUPE delegates and staff.

For the first time in our convention's history, CUPE organized a Youth Council for youth and teenagers between the ages of 9 to 14. Our President Paul Moist, as well as different staff advisors spoke with the group, explaining the role of a union and describing some of the different issues with which CUPE is involved. The Youth Council proved to be both fun and educational and allowed hands-on involvement by everyone attending – truly a great way to learn! In addition to the Youth Council, this year's convention was, for the first time ever, carbon neutral.

Thank you to all staff and departments whose cooperation and hard work contributed to making this convention such a success!

TRAINING AND DEVELOPMENT

Union Development Department returned from National Convention inspired by the dedication and energy of the members and with a renewed energy to continue and expand their work.

The CUPE Gallery was a chance to showcase their program, including the first delivery of the Steward Handbooks. Members and staff embrace popular education as it recognizes the wisdom of the members and focuses on positive action.

The Literacy booth quickly sold out of our new “green” literacy bags and offered a taste of learning about literacy with computer games. Brother Terry Bennett, long time literacy activist from Local 569, was a gracious and deserving 2011 Literacy Award recipient.

Lots of energy was in the room when more than 100 Member Facilitators met over lunch to share their many stories of being part of a program that changes members' lives.

New events for us this year included a revised Delegate Orientation – Making the Most of Convention; the Youth Council and the Ombudsperson Luncheon.

This was the first National Convention since the National Executive Board adopted the Code of Conduct. All the Ombudspersons gathered over lunch, giving CUPE a chance to thank those that have carried this program for many years and all the newly trained Ombudspersons who are taking on the role in the context of the Code of Conduct. Sister Susan Attenborough, who has coordinated the Ombudsperson Program since its inception, was honoured.

UDD are very excited about the multiple mandates given by Convention delegates to providing education. The debate and commitment to having a class analysis underscore all of our education work provides an approach that will richly reward our union for generations to come.

Delivery of more of CUPE's program in French outside of Quebec has been a long standing commitment. A thorough assessment of the gaps has been completed and we have set specific goals to meet this need over the next year.

Requests for education on Bullying and Harassment at Work are on the increase, particularly in light of recent legislation in both Nova Scotia and Ontario. Employers are taking advantage of the expertise in CUPE to help meet their legal obligations. We are using this demand as a chance to review and revise our current workshops and will develop them in English and French at the same time.

A collaborative piece of exciting work is developing with our Aboriginal Council and Literacy Program. They are piloting a workplace learner representative program which will identify and train education champions. Essentially, these members would be the "go to" person about learning opportunities in the workplace.

PENSION ADMINISTRATION

The Trustees of the CUPE Employees' Pension Plan have made some changes to the January 1, 2011 Actuarial Valuation assumptions, following collective bargaining and have asked for an extension for the filing of the Report with the Regulators, to mid-December. The impact of those changes will slightly raise the solvency ratio, but it will still be well under 100%.

Effective November 2011, I have been appointed to the Joint Board of Trustees. Sister Sandy Harding has stepped down from her position of CUPE Alternate Trustee. I would like to take this opportunity to thank Sister Sandy for all the work that was accomplished during her time on the board.

The severance enhancement benefit for pension plan members, who have retired or terminated in 2011, was recently processed. The total amount payable is approximately \$55,000.

The CUPE Pension Fund investment performance has been significantly below the benchmark (*standard set by the market against performances of other funds*) and below the median (*middle value*) pension fund in Canada for the third quarter of 2011. The solvency ratio has again decreased since January 1, 2011 and is estimated to be at 80.9% at November 1, 2011.

As mentioned in previous reports, the Trustees have been monitoring closely the CUPE Pension Fund Investment Performance, in addition to the Fund's Investments managers' performance analysis and strategies.

Deaths

November was an incredibly sad month with the unexpected and tragic loss of Brother André Lamoureux in a traffic accident on November 17, 2011. Brother André had only recently taken on the job of Assistant Director in Organizing and Regional Services at National Office. Prior to that, he was an Assistant Regional Director in Ontario. Many CUPE staff were able to attend the funeral in Cornwall and pass their condolences to the Lamoureux family. We will host a memorial service in the coming months to honour Brother André's work and commitment.

It is with sadness that I also have to report the passing of:
Sister Arlene Litherland, retiree, Ontario Regional Office – September 13, 2011.
Sister Yolande Larose, retiree, National Office – November 29, 2011

Retirement

Brother Claude Généreux, National Office – December 1, 2011
Sister Margaret Churchward, Barrie Area Office – January 1, 2012
Sister Anne Coupland, British Columbia Regional Office – February 1, 2012
Brother Roger Gravel, Québec Area Office – February 1, 2012
Brother Serge Lalonde, Ottawa Area Office – February 1, 2012
Brother Jerry Lava, Kenora Area Office – February 1, 2012
Sister Jacquie Griffiths, Saskatoon Area Office – March 1, 2012
Sister Audrey Beaudry, National Office – August 1, 2012

CONCLUSION

In conclusion, I want to thank the delegates at our National Convention for giving me the honour of serving as your National Secretary-Treasurer. Above all, I wish to thank all of the other candidates for a good campaign and a fair election. I look forward to continuing to work with all of you over the next two years.

We have many challenges ahead, but I know we will go into 2012 more determined than ever to stand up for the rights of workers in Canada and around the world.

Best wishes to you all for a Happy Holiday.

Respectfully submitted,



CHARLES FLEURY
National Secretary-Treasurer

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