

**NATIONAL SECRETARY-TREASURER'S REPORT
TO THE
NATIONAL EXECUTIVE BOARD
Ottawa, Ontario
December 16 - 17, 2015**

Sisters and Brothers:

Throughout 2016, hundreds of thousands of CUPE members have benefited from our campaign work. Together, Locals, Divisions, District Councils, and Bargaining Councils have partnered with CUPE National on cost-shared campaigns. CUPE National has also provided direct funding for Strike Averting campaigns, legal assistance, anti-privatization, contracting out, and pension fights. We now focus our support on campaigns that have a member mobilization component.

I would like to mention two of the most notable regional challenges that we faced this quarter. First, our staff and Ontario Secondary School Bargaining Committee lead our largest bargaining table in the country – the central bargaining table for 55,000 CUPE school board members across the province. After protracted bargaining throughout 2015 coupled with intensive member mobilization escalating into the fall, school board members coordinated work to rule strikes. CUPE came to a negotiated agreement that was recommended to the membership.

Secondly, I would like to make special mention of the situation that we are facing in Quebec. CUPE National continues to support thousands of CUPE Health Care and Education members at the Common Front bargaining table facing austerity attacks from the Couillard Liberal government. Rotating strikes are now underway across the public sector and CUPE is at the forefront of these struggles. At the time of writing this report, no negotiated settlement was in sight.

Political Action

This fall CUPE participated in the federal election in an unprecedented way. Thousands of CUPE activists and staff worked on campaigns across the country, and some even ran for office. Most significantly, local leaders applied the Fairness Model of internal workplace organizing and took on the challenge of getting their members out to vote. Now that the Liberals have a majority government, we remain committed to holding them accountable to their campaign promises, for example, to repeal the anti-union legislation of Bills C-377 and C-525. We must also remain vigilant in our fight to increase public services and prevent privatization.

Convention 2015

CUPE's 27th biennial Convention in Vancouver brought us the newly adopted Strategic Directions document which will frame our priorities over the next two years. Our 2016 budget, as well as our Regional and Departmental plans will reflect these priorities. This convention we broke the record for the highest number of delegates with 2208 registered. 1967 people signed up for the CUPE Convention app. Not only did this app contribute to our environmental goals of reducing paper use while improving communication, it allowed many CUPE members across the country to follow the convention from their regions not only with the app but with live internet video streaming. I would also like to thank all staff who worked very hard to make the 2015 convention in Vancouver a success.

CUPE delegates approved the constitutional amendment to "change the split" between our National Strike Fund and National Defence Fund. Previously 6% of per capita revenues went into the Strike Fund and 4% went to the Defence Fund. Now that our National Strike Fund has reached the 80 million dollar mark, 5% will go into each fund so that there are more resources available for campaigns, organizing and Strategic Directions priorities.

In September the NEB approved changes to the National Strike Fund Regulations to allow for more flexibility for picket line schedules for members who work part-time and precarious hours. In addition, we will now reimburse 100% of the cost of the Arbitrator fees for locals who fall under Interest Arbitration legislation and do not have the right to strike. With this in mind, a National Strike Fund Task Force will start its work early 2016 as per the Strategic Directions Document. This Task Force is mandated to look at all aspects of the Strike Fund and report back to the National Executive Board no later than September 2016 in time to present its conclusion at the different Service and Provincial Division Conventions in 2017.

Climate Action

Throughout the fall I participated in setting our global trade union strategies and priorities for the United National Conference of Parties, COP21, which took place in Paris in early December. As a further demonstration of CUPE's commitment to climate change, and in the face of the recent terrorist attacks in Paris, CUPE attended the meetings. I was honoured to lead our CUPE delegation on this critical mission where we added our voices to the call for all countries to transition to a sustainable, low-carbon, just economy for all. At this critical Climate meeting, leaders of 190 countries, labour, civil society and government representatives built consensus on a legally binding, universally accepted agreement on containing global warming.

Here at home on the climate file, CUPE is committed to: reducing our carbon foot print, continued coalition work, education courses, publications, supporting our locals who are bargaining climate language into their collective agreements and more. We now need to expand our commitment to cutting greenhouse gas emissions and making sure that the transition away from a carbon-based economy enhances the lives of workers across the globe.

On November 29th, CUPE participated in dozens of rallies across the country in support of COP21. We have much more to do. I look forward to working together to make much more progress in the coming years.

Supporting the Community

Since 2005 CUPE National has participated in the Ontario Cornerstone Leadership Corporation (OCLC), which manages the property located at 101 Richmond Street, Toronto. The maintenance and upkeep of the property has presented considerable challenges, resulting in the Board of Directors investigating various sales options. The option that we have endorsed is one that would have OCLC begin the process of selling the property and buying a smaller space in the building directly behind the existing building, resulting in a decrease in operating expenses, eliminating the mortgage, and having a property management corporation responsible for the upkeep and maintenance of the building.

International Solidarity

In March 2015 the NEB committed \$5000 to the Ukrainian Trade Unions who saw their house of labour destroyed during the Revolution of Dignity in February 2014. I am happy to report that on November 27, the Federation of Trade Unions of Ukraine concluded an investment contract with an investor and a construction company to rebuild Trade Union House. The reconstruction is expected to take place during 2016.

Ending Violence Against Women

CUPE's ongoing commitment to end violence against women is renewed in our participation in and financial support for events marking December 6th, the National Day of Remembrance and Action on Violence Against Women. On this day especially, we observe the anniversary of the 1989 Ecole Polytechnique massacre and work for an end to all forms of domestic, physical and sexual violence. More recently, CUPE's commitment has been to support the Sisters in Spirit initiative of the Native Women's Association of Canada and other coalitions bringing justice to the missing and murdered aboriginal women and girls in our country.

Budget 2016

Throughout November and December I have undertaken extensive budget consultations including with all regions of the country in preparation for the 2016 budget. CUPE faces increasing challenges at the bargaining tables and in our workplaces. At this December NEB I propose budget allocations that address these demands.

We anticipate a 2.4% growth in revenues for 2016. Just to begin a new year, we need to increase our budget lines by 1.3%. This does not include any of the new priorities that we need to take on. We will have to work smarter and more strategically as we move forward. We anticipate that our membership growth will continue to slow as has been the case for the last number of years.

We will face additional challenges in fulfilling our pension fund solvency payment requirements that we will be obligated to make in the near future.

Communicating CUPE

Our newly revamped CUPE National website has been in operation for a year and a half. We had over 1.7 million page views in the first year. Increasingly members are accessing the site with their mobile devices, registering for conferences, education courses and national convention. In the first year, over 10,000 people have taken part in online campaigns. Almost 20,000 viewers use the online event calendar, and collective agreements have been downloaded almost 15,000 times.

FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2015

General Fund

The total assets in the General Fund at September 30, 2015 were \$206.5 million, compared to \$203.4 million at June 30, 2015 and \$196.6 million at December 31, 2014. The items of significance are discussed below.

The bank balance at September 30, 2015 was \$19.7 million compared to \$20.2 million at June 30, 2015 and \$13.2 million at December 31, 2014. The bank balance includes various internal cash reserves totalling \$15.3 million, which are set aside for retirement payouts, future benefits funding, 2015 Convention, a property management reserve and the Regional Building Fund.

The total investment in fixed assets increased by a net of \$963,000 over the previous quarter-end. This increase is predominately due to continued progress on the Electronic Document and Records Management System project, as well as the upgrade and enhancement projects to the LUIS and CAIS systems.

The total liabilities in the General Fund were \$151.2 million at September 30, 2015, in comparison to \$144.8 million at the end of June 2015.

Due to the good governance CUPE established by creating the Roadmap on the Employee Future Benefit Liability in 2005, we are continuing to make progress toward the goal of recording the liability on the Balance Sheet. In addition, there was a change in the Accounting rules during 2014 that allowed us the opportunity to calculate the liability in a way that recognizes the investment earning on the capital that has been set aside to fund this liability. In 2014 the discount rate that was used to calculate the liability was changed to 5.9% as compared to 4.8% in 2013. This adjustment alone produced a significant reduction in the amount of the liability which now sits at \$170.3 million in comparison to \$205.9 million at the end of 2013. This will allow CUPE to realize the goal of eliminating the gap and recording the liability much sooner than 20 years as originally predicted.

The Fund Balance at September 30, 2015 is \$55.3 million of which a total of \$4.3 million is restricted as follows: Convention and National Events Assistance Fund, \$1.0 million

and Regional Building Fund, \$3.3 million. Of the remaining Fund Balance, we have invested \$57.1 million in fixed assets leaving an unrestricted negative balance of \$6.0 million. This means that all of the equity in the General Fund is spoken for either in terms of being allocated for a restricted purpose or tied up in fixed assets.

The preliminary operating surplus (before the provision for the Regional Building Fund and Unrealized Gain on Investments) for the year to date is \$756,000. Per Capita revenue is over budget by \$345,000 and total revenue is over by \$64,000 due to investment earnings being lower than anticipated. Total Expenses are under budget by \$2.6 million. Below are some of the more significant items.

1. Strategic Directions is \$653,402 under budget at the end of September 2015 as we continue to receive expenses associated with this line.
2. Fixed Staffing costs are \$628,490 under budget.
3. The Fairness Project is \$616,874 under budget as at the end of this third quarter of the year.
4. The Fightback Fund continues in a small credit position as at the end of September 2015 due to an adjustment in the first quarter related to 2014 and no offsetting expenses having been received for 2015; therefore it currently appears under budget by \$600,539.
5. Election spending is \$404,230 under budget for the year to date due to the timing of elections taking place following September 30th. With the federal election having concluded in October, we expect this budget line to be fully spent by the conclusion of this fiscal year.
6. Office expenses are under budget by \$239,849.

National Defence Fund

As at September 30, 2015, we have \$9.5 million in Total Assets compared to \$9.1 million at June 30, 2015 and \$8.3 million at December 31, 2014. The cash balance at September 30, 2015 is \$2.8 million compared to \$2.3 million at June 30, 2015. In addition, we have investments totalling \$5.6 million, unchanged from June 30, 2015.

Cost-shared campaigns approved by the National Executive Board as at the third quarter-end totalled \$2,473,870 of the annual budget of \$2.7 million. Major Organizing expenses were \$1,156,190, while National Strategic Initiatives totalled \$1,051,136. Spending on Regional Strategic Initiatives totalled \$884,657.

National Strike Fund

Total Assets in the National Strike Fund as of September 30, 2015 were \$83.2 million, as compared to \$83.0 million as at June 30, 2015, and \$79.8 million at December 31, 2014. These assets consisted of \$6.4 million in cash, \$1.7 million in per capita receivable and \$75.1 million in investments.

Under Liabilities we have accounts payable and accrued liabilities of \$237,000; therefore, at September 30, 2015, the Fund Balance was \$83.0 million, compared to \$82.8 million at June 30, 2015 and \$79.3 million at December 31, 2014.

Revenue into the Strike Fund, including investment income, was \$11.9 million as at the third quarter-end. Expenditures for the same period totalled \$5.6 million. This results in a net surplus for the year to date of \$6.3 million, before taking into account unrealized investment losses of \$2,671,261.

STRIKES, LOCKOUTS AND SETTLEMENTS

Local 2316-1, Children's Aid Emergency After-Hours Service Workers – 23 members on strike since July 27, 2015; reached a settlement on October 31, 2015.

Health Care and Education locals in Québec, rotating strikes – 30,000 members.

PER CAPITA ARREARS

For the quarter ended September 2015, the total arrears were \$5,120,633, which was an increase of \$1,221,911 or 31.34% from the previous quarter ended June 2015. Total arrears have decreased 28.72% as compared to September 2014.

INFORMATION TECHNOLOGY REPORT

The momentum continues to be high in the IT Branch as we are nearing completion on some projects and have started work on others that will dramatically improve internal systems. Our primary focus in the upcoming months will be on upgrading our member information.

Systems Development:

Electronic Records and Document Management System (EDRMS)

The first phase of this project has been completed. Over the course of the last year and a half we have completed a thorough needs analysis and have documented the specifications for what CUPE users have identified they need in an electronic document records management system. The next phase of this project is proposed to get underway in 2016 as we review, analyze and ultimately develop our implementation strategy for this

important new system. This project will be transformational to the way CUPE staff work every day so the way it is implemented across the organization must be done in a manner that ensures success and a good return on our investment.

Member Relationship Management System (MRMS)

A significant amount of focus has been on the creation of the new Member Relationship Management System (MRMS). This is CUPE's future, bilingual information system which will house all contact information for members and locals in one centralized, secure database. The MRMS will allow CUPE to enhance its ability to connect with members and to inform our strategies and decision making by building a structure to house all current custom designed programs (LUIS, CAIS, Fairness, Arbitration Tracking, Education Tracking, Maurice, PCT Tax, Just Pay, Convention and Conference Registration) under one roof. This will allow and facilitate data sharing between the systems, significantly enhancing our reporting capabilities when it comes to members. The new design will allow MRMS to run on any device, laptop, smartphone, tablet or desktop.

The first release of the MRMS will include a newly revamped LUIS, targeted and measured communications via Email and text messaging through what we are calling, the Engagement Hub module, and lastly, Arbitration Tracking through a comprehensive survey management component. The planned date for this first release of the MRMS is the first part of January, 2016. User documentation, training materials and courses are being developed to support the initial release. Ongoing end user training and support will be key to the success and sustainability of this significant IT initiative.

The newly revamped LUIS as part of the new MRMS has new features that include, increased searching capabilities, the ability to save and rerun custom searches, breakdown by sector / industry, breakdown by occupational groups, and contact information on Sector councils. Release 2 of the MRMS will also focus on bringing CAIS under the new MRMS umbrella. A new feature of CAIS will be to allow CUPE to expand access to all CAIS collective agreement information to all National Servicing Representatives across the country. We will also improve our ability to retrieve and compare collective agreement language to use at the bargaining table. Another focus for the MRMS Release 2 will be the sharing of data between Quebec's Maurice system and the MRMS. The planned date for Release 2 of the MRMS is late in 2016.

IT Infrastructure:

Operations

CUPE IT has begun the planning for the 2016 end user hardware refresh. New for this and future year deployments is that all CUPE employees will be setup with a laptop/tablet with docking station. This configuration allows users the ability to be productive while mobile (meetings, conventions, conferences, training etc.). Included in this deployment, CUPE will be adopting the Windows 10 desktop operating system. This latest version gives users better flexibility and security along with greater functionality.

With the completion of the Office 365 (Office 2013) deployment, CUPE IT has begun the testing and assessment of Office 2016. This upgrade along with One Drive For Business gives users better collaboration tools along with increased stability and security. Starting the end of November, users will be able to self-upgrade to Office 2016 by logging into the Office web portal, with a fully managed upgrade beginning early 2016.

The new year will see a greater emphasis on IT solutions to help CUPE pursue a more environmental friendly workplace. This includes promoting the use of Skype For Business to reduce travel and allow for more face to face meetings. CUPE will also embark on an assessment of our volumes of printed output allowing for consolidation and reduction in printers/paper, ultimately resulting in cost savings.

PROPERTIES AND LEASEHOLDS

Properties

In September we reported that we had entered into a Purchase and Sale Agreement for a 45,149 square foot air space parcel which will become home to the new British Columbia Regional Office in mid Spring 2017. We implemented an RFP process to seek out an interior design firm to assist in developing the design process and project concept, space planning, specifications and floor layouts. We ultimately selected a Vancouver-based interior design firm, Kasian Architecture Interior Design and Planning Ltd. They are a dynamic and creative group, committed to an enthusiastic and progressive approach. Kasian has been involved with many successful developments and projects in Vancouver and throughout Canada. They have structured their business to deliver innovative and high performance workplaces that incorporate our CUPE national design standards, balancing work and people goals. We look forward to working collaboratively with Kasian to develop workplace strategies that will serve our BC staff and members well and deliver an exceptional project outcome.

Leaseholds

Construction of interior improvements for the new Thunder Bay Area Office is now underway with occupancy targeted for the end of February 2016.

In Peel, Ontario, our landlord informed us of their intention to sell the building and we have therefore hired a realtor to canvass the city to find alternate space to relocate into on lease expiry, namely end of April 2016. We will conduct our due diligence and explore all available options for the relocation of this office. Our standard space design will be applied to the new space, incorporating flexibility for growth, improved meeting facilities, smaller meeting and break-out areas and will incorporate energy efficient initiatives.

The lease for the Dalhousie Area Office, New Brunswick, was renewed for an additional two-year term, ending June 30, 2017.

The lease for the Medicine Hat Area Office has been renewed for an additional three-year term beginning December 1, 2015.

Construction for the improvements at the new Prince George Area office is now underway and ahead of schedule with a new target occupancy date of mid-January 2016.

We continue to explore options for lease renewals or relocation for the Peel, London, Sudbury, Kitchener and Kenora area offices in Ontario, Terrace and Fraser Valley area offices in British Columbia, Manitoba Regional Office and Calgary Area Office in Alberta.

NATIONAL CONVENTION AND OTHER CONFERENCES

Our 2015 convention was a great success. We had 2,208 delegates breaking the 2013 record of 2,175. Delegates, staff and guests enjoyed the state of the art Convention Centre and the beautiful scenery of Vancouver. Our new translation device distribution system turned out to be very successful. The vast majority of the delegates chose a device at registration tables without having to leave a picture I.D.

Convention is now behind us, but we are fully working on the 2016 agenda starting with the All Committee Meeting scheduled to take place in Ottawa, the week of April 29th. In 2016, we will also be preparing the second Sector Council Conference in October, at the Winnipeg Convention Centre. Our first Sector Conference in Toronto in 2014 was a huge success. We anticipate the same level of success in Winnipeg in 2016. Needless to say, our office is planning for a busy year ahead.

TRAINING AND DEVELOPMENT

Eleven New Bargaining Workshops

The Building Bargaining Power education program was kicked off at the National Convention in Vancouver. We now have eleven new workshops available in French and English that provide a comprehensive, world class education program on collective bargaining. This will be of great assistance to CUPE's work at bargaining tables across Canada.

In *Building Bargaining Power*, there are workshops designed for 7 specific audiences reflecting 7 distinct roles that members play during the bargaining cycle:

For Local Executives:

- Strategic Planning for Bargaining
- Analyzing Your Collective Agreement
- Surveying the Members

For Mobilization Committees:

- Mobilizing for Bargaining

For Bargaining Committees:

- Notetaking for Bargaining
- At the Bargaining Table

For Strike Committees:

- Preparing for a Successful Strike

For Picket Captains:

- Picket Captain Training

For Activists from different Locals:

- Bargaining Solidarity (weeklong)
- How Bargaining Works

For Stewards:

- What a Steward needs to know about Bargaining (Steward Learning Series)

In some locals, there is overlap among these roles. For example, the bargaining committee and the executive might be the same people, or the bargaining committee or stewards might be responsible for mobilizing members for bargaining. This education program takes these types of differences into account and gives members what they need to play their various roles in the bargaining cycle.

National Ombudsperson Program

CUPE is committed to creating a union that is inclusive, welcoming and free from harassment, discrimination and all types of bullying and intimidation. The Equality Statement and the Code of Conduct set out standards of behavior for participants at national conventions, conferences, schools, and meetings organized by CUPE National. The national ombudsperson program plays a central role in this undertaking.

In October of 2015, the Union Development Department conducted a 3.5-day training session for members and staff. The participants received training in the ombudsperson process, listening skills, conflict resolution, dealing with difficult behaviour, and maintaining confidentiality and neutrality.

After a rigorous selection procedure and a successful completion of the training, we now have 24 new ombudspeople joining our existing group of trained ombudspeople in the national program. The majority of the new additions are people from equity-seeking groups within CUPE.

PENSION ADMINISTRATION

The Joint Board of Trustees (JBT) held its last meeting of the year in early December.

The main focus of the meeting was to discuss the investment performance with the Investment Managers. We reviewed their performance results as well as their strategies and expectations for the upcoming year.

The Trustees have started preliminary discussion on the review of the methods and assumptions to be used in preparation of the January 1, 2016 actuarial valuation. The next

valuation must be filed with the Financial Services of Ontario on January 1, 2017. Critical decisions will have to be made before the next required filing, pending the solvency status of the plan.

At every quarterly meeting the Trustees discuss the Investment results of the Pension Fund with the plan's investment consultant. We also continue to closely monitor the evolution of the solvency ratio. The market value solvency ratio has decreased from 96.9% as at the last filed valuation effective January 1, 2014 to 88.5% as at January 1, 2015 (decrease mainly due to a reduction in statutory interest rates) and is estimated at 86.3% at November 1, 2015 (decrease due to investment returns being less than the liability growth).

The CUPE Pension Fund investment performance has been below the benchmark (standard set by the market against performances of other funds) and the median (middle value) pension fund in Canada during the third quarter of 2015, with a negative year-to-date investment return of -1.01% end of September 2015.

Effective November 2015, the JBT is now publishing a bi-annual newsletter on various topics related to the pension world and to the CUPE Employees' Pension Plan. The newsletter is posted on the plan members' website.

The JBT concluded the election of the Alternate Retiree Trustee position and Brother Barry Thorsteinson was re-elected for another three years.

Deaths

Mr. Hans Herres – spouse of retiree Martha Herres – September 11, 2015
Mr. Alan Hush Costar – spouse of retiree Kathleen Kennedy – October 19, 2015
Mrs. Mildred Gray – spouse of late retiree Edward Murray Gray – October 14, 2015
Brother J.K. (Keith) Norton, retiree, Manitoba Regional Office – November 23, 2015

Retirement


Brother Paul Moist, National President's Office, elected officer – December 1, 2015
Sister Donna L. Wilde, Saskatchewan Regional Office – January 1, 2016
Brother Harminder S. Magon, Equality Branch, National Office – February 1, 2016
Brother John Cromwell, Barrie Area Office – February 1, 2016
Sister Denise A. Carter, Ontario Regional Office – February 1, 2016
Brother Gilles Murphy, Quebec Area Office – February 1, 2016
Sister Diane M. Prévost, Finance & Administration Dept., National Office – March 1, 2016
Sister Joanne Lavigne, Human Resources Department, National Office – March 1, 2016
Sister Brenda L. Cameron, Human Resources Department, National Office – May 1, 2016

CONCLUSION

I look forward to my next term in office and I am honoured to have the opportunity to serve CUPE members in this role. I congratulate the newly elected and re-elected NEB members and look forward to working closely with our newly elected National President Mark Hancock.

As we approach the holiday season, we are mindful of those in our communities and across the globe, who are less fortunate than we are. May we be ever mindful of our responsibility to reach out to those who need assistance, to work towards expanding social safety nets as we continue to dedicate ourselves to our fight for justice and equality for all.

Respectfully submitted,


CHARLES FLEURY
National Secretary-Treasurer

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