

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

Ottawa, Ontario
December 14-15, 2016

Dear Sisters, Brothers and Friends:

My priority focus for the fall has been on preparation of the 2017 budget. I held budget consultations with every region of Canada to discuss their specific regional issues and needs. I met with each Managing Director to review department priorities and requests. I commend all NEB members and staff who take on various, challenging roles throughout the budget process including: proposing priorities for how to allocate our resources for the coming year, forecasting revenues, and analyzing costing. Our budget is prepared with a view to implementing all Strategic Directions priorities and supporting our union across Canada.

CUPE faces increasing challenges such as: unknown outcomes at the bargaining table, upcoming in representation votes and the CUPE pension solvency test obligations. At this Board meeting, I propose budget allocations that address these demands.

We anticipate a 2.45% growth in revenues for 2017. Just to begin a new year, we need to increase our budget lines by 1.4%. This does not include any of the new priorities that we need to take on. We anticipate that our membership growth will continue to be similar to what we have seen in the last years. At this Board meeting, I will recommend a budget that I believe will address the immediate challenges facing CUPE, while ensuring stability for the years to come.

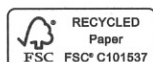
Supporting Unions in South Korea – International Solidarity

In September I had the honour of joining an international delegation of 10 trade unionists from around the world who went to South Korea to support the Korean public sector workers' strike, the largest public sector mobilization in their history. Joining me in the CUPE delegation, were NSTO Executive Assistant Michael Butler and Kelti Cameron, Senior Officer, International Solidarity.

The Korean Mission was organized by Public Services International (PSI) to bring external global support to Korean workers facing imposition of individual performance-related pay, and in defence of collective bargaining and basic trade union rights. In the global struggle against neoliberal, and anti-worker attacks, the delegation committed to continuing efforts to build international solidarity with our sister, brothers and friends on the front line in South Korea.

MARK HANCOCK – National President / Président national **CHARLES FLEURY** – National Secretary-Treasurer / Secrétaire-trésorier national

DENIS BOLDUC – FRED HAHN – DANIEL LÉGÈRE – KELLY MOIST – MARLE ROBERTS – General Vice-Presidents / Vice-présidences générales



I was humbled and inspired when we visited two imprisoned leaders, KCTU President Han Sang-Gyun and KPTU Vice President Cho Sung-Duk, in the Seoul Detention Centre. These leaders, jailed because of the strike, continue to lead a courageous and legitimate struggle to defend the interests of workers.

Upon returning to Canada, I led a delegation to the South Korean Embassy in Ottawa to demand justice for the Korean trade unionists and the immediate release of imprisoned trade union leaders.

Representation Vote – Health Care in Québec

We are currently facing the largest representation votes in our history throughout the health care sector in the Quebec, affecting over 15,000 CUPE members from more than 800 bargaining units. CUPE National is providing significant resources to support the campaigns which are now in full stride. CUPE activists and staff are working diligently on these efforts.

Fund for Alberta Wildfires

In October, soon after most CUPE members had returned to the community, Mark and I travelled to Fort McMurray to meet with the CUPE Local presidents. As previously reported, after the devastating wildfires that ravaged many communities in northern Alberta, we put out the call to CUPE members across the country and as always, CUPE members responded generously. We have collected \$204,820 which will go directly to these organizations:

- Stepping Stone Youth Home
- Pastew Place Detoxification Centre
- Unity House
- Wood Buffalo Food Bank

National Sector Council

By all accounts, the second CUPE National Sector Council Conference was a huge success. A total of 1,030 CUPE members registered for the conference representing a total of 350 locals. In all, over 100 staff attended and supported the 17 sector meetings, learned from the plenaries and facilitated many discussions.

I commend all locals who sent participants provided facilitators and participated so enthusiastically in the conference preparations and proceedings. By sharing experiences, bargaining and mobilizing success stories, and winning campaigns, within sector and across sectors and regions, CUPE conference participants made this event a success.

Strike Support

Fifty-eight (58) committed CUPE members from CUPE Local 2974 at Essex Library in Ontario have been on strike since June 25, 2016. As per our CUPE National donations policy, letters of support are sent out after locals have been on strike for more than 90 days.

In September, a letter was sent to all chartered bodies asking for donations to the CUPE Local 2974 strikers.

Very soon I will also be sending out another letter across the country asking for donations to be sent to the second striking local – CUPE local 4914 at Peel Children's Aid Society in Ontario. Four hundred and fifty (450) CUPE members have been on strike since September 18, 2016.

I encourage all locals to donate to these courageous CUPE members especially, as the holiday season nears. Along with strike and benefit pay, the Strike Fund is providing significant resources in the form of Strike Support campaign funds.

Eastern Canada Women's Conference

It was a great pleasure to attend one session and address the Eastern Canada Women's Conference in early November. This successful initiative brought together activists to address the gendered based effects of the austerity agenda on public sector services, our workplaces and our communities. Participants focused on strengthening solidarity and highlighting successful campaigns and initiatives to respond to inequality. CUPE remains at the forefront of advancing women's equality and we still have much to accomplish.

Ontario Council of Hospital Unions Bargaining Conference

In November over 150 members participated in the OCHU bargaining conference. I appreciated the opportunity to address the members and to reinforce CUPE National support for their upcoming round of bargaining. Our strong National Defence Fund and National Strike Fund will provide all the necessary resources necessary to support the fight for increased patient care and provincial funding. We stand beside OCHU in their efforts to ensure safer workplaces, reasonable workloads and fair wages for all hospital workers.

Ontario Trades Conference

Over 180 CUPE members came together in November to discuss issues related to skilled trades workers in Ontario. In my address to the participants, I shared my experience in Quebec Hydro where we addressed skilled trades issues in our workplaces through provincial coordination of standards and enforcement of job evaluation. The conference provided the opportunity to talk about increasing diversity through greater participation of women, racialized worker and young workers.

I also emphasized the opportunity that CUPE tradespeople have to be leaders in the efforts on the climate front. Many CUPE tradespeople are well placed to be leaders in the conversion of our public sector buildings to green, solar, and users of low carbon renewable energy. We must become stronger advocates on these issues.

Hospital Employees Union – British Columbia

In October, HEU held their biennial convention bringing together delegates from the wide range of BC health care locals. Delegates joined together to re-commit themselves to

resisting the rise of forces attempting to dismantle the BC health care system as we know it. I commended HEU on their ongoing commitment to keeping member mobilization at the center of their work, most especially as they stand up to multi-national companies who try every trick in the book to cut salaries and working conditions including contract flipping.

FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2016

General Fund

The total assets in the General Fund at September 30, 2016 were \$216.2 million compared to \$209.7 million at June 30, 2016 and \$207.2 million at December 31, 2015. The items of significance are discussed below.

The bank balance at September 30, 2016 was \$15.2 million compared to \$13.2 million at June 30, 2016 and \$14.8 million at December 31, 2015. The bank balance includes various internal cash reserves which are set aside for retirement payouts, future benefits funding, the 2017 Convention, a property management reserve and the Regional Building Fund.

At September 30, 2016, the General Fund contained \$74.4 million in investment assets, the majority of which are held to fund employee future benefit expenses. In addition, there is \$93.9 million invested in fixed assets.

The total liabilities in the General Fund were \$155.8 million at September 30, 2016, up \$2.1 million from \$153.7 million at June 30, 2016.

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 full liability for these benefits on the Balance Sheet. Year over year, the real liability jumped from \$170.3 million to \$184.4 million. Due to inflation, rising health costs, rising salaries, etc., it is usual to expect the real liability to increase each year.

The December 31, 2015 Balance Sheet has recorded a liability of \$96.9 million leaving an unrecorded gap of \$87.5 million compared to a gap of \$87.4 million at the end of 2014. 2015 was the first year where the employee future benefit expenses booked in the accounts exceeded the service cost for that year and allowed us to record \$558,000 toward reducing the gap. In the first nine months of 2016 we have recorded an additional \$6.5 million of the liability, bringing the total recorded liability to \$103.4 million.

The Fund Balance at September 30, 2016 is \$60.4 million of which a total of \$5.1 million is restricted as follows: Convention and National Events Assistance Fund, \$1.0 million and Regional Building Fund, \$4.1 million. Of the remaining Fund Balance, we have invested \$58.5 million in fixed assets leaving an unrestricted negative balance of \$3.2 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 \$827,326, as compared to a budgeted deficit of \$480,676. Per Capita revenue is under budget by \$67,300 and total revenue is under budget by \$855,202. Total Expenses are currently under budget by \$2,163,204.

1. Strategic Directions is \$1,056,000 under budget due to the timing of payments yet to be made during the remainder of the year.
2. Fixed Staffing costs are \$889,000 under budget. This budget line has been underspent for a number of years now and is being carefully reviewed for the 2017 budget.
3. Rent is running \$501,000 under budget due to the additional amount budgeted for the new BC Regional office. These costs will not be incurred until we move in 2017.
4. The Fightback Fund is currently \$473,000 under budget.
5. Staff Development costs in Union Development department are under budget by \$267,000. This variance is largely due to timing and we expect this expenditure will finish the year on budget.
6. The National Services Programs is \$149,000 over budget solely due to Legal and Arbitration costs approved for the year to date.

National Defence Fund

As at September 30, 2016, we have \$13.7 million in Total Assets compared to \$12.2 million at June 30, 2016 and \$10.6 million at December 31, 2015. The cash balance at September 30, 2016 is \$4.4 million compared to \$3.1 million at June 30, 2016. In addition, we have investments totalling \$7.7 million, basically the same balance we had as of June 30, 2016.

Under Liabilities we have accounts payable and accrued liabilities of \$522,000 compared to \$483,000 at June 30, 2016. There is also \$5.0 million in cost-sharing campaigns' liability, up from \$3.9 million at the end of the second quarter.

Cost-shared campaigns approved by the National Executive Board for the first nine months of the year totalled \$2,643,525 of the annual budget of \$3.1 million. Major Organizing expenses were \$1,056,791, while National Strategic Initiatives totalled \$1,578,344 of the annual budget of \$2,460,000. Spending on Regional Strategic Initiatives totalled \$735,203.

National Strike Fund

Total Assets in the National Strike Fund as of September 30, 2016 were \$93.0 million, as compared to \$90.0 million as at June 30, 2016, and \$85.5 million at December 31, 2015. These assets consisted of \$3.7 million in cash, \$1.6 million in per capita receivable and \$87.6 million in investments.

Under Liabilities we have accounts payable and accrued liabilities of \$50,000, down from \$55,000 at June 30, 2016.

At September 30, 2016, the Fund Balance was \$93.0 million, compared to \$90.0 million at June 30, 2016 and \$84.5 million at December 31, 2015.

Revenue into the Strike Fund, including investment income, was \$9.0 million as at September 30, 2016. Expenditures for the first nine months totalled \$4.0 million. This results in a net surplus for the year to date of \$5.0 million, before taking into account unrealized investment gains of \$3.4 million.

STRIKES, LOCKOUTS AND SETTLEMENTS

Local 2974 – Employees of the Essex County Library, 58 members on strike since June 25, 2016 – ongoing.

Local 4914 – Employees of the Peel Children's Aid Society (CAS), 436 members on strike since September 23, 2016 – ongoing.

PER CAPITA ARREARS

For the quarter ended September 2016, the total arrears were \$8,722,201, which was an increase of \$231,895 or 2.73% from the previous quarter ended June 2016. Total arrears have increased 70.33% as compared to September 2015.

INFORMATION TECHNOLOGY (IT) REPORT

The Information Management/Information Technology (IMIT) Steering Committee plan continues to progress. In the upcoming months, the IT Branch's primary focus will be to launch the new release of the Member Relationship Management System (MRMS), to continue to move to stronger Electronic Document and Records Management (EDRM) and finalize other IT initiative plans for 2017.

Systems Development:

Member Relationship Management System (MRMS)

A key strategy in the development of any software system is to ensure it continues to be improved upon to keep it current. The first release (R1) of MRMS was launched in March of this year and included a major upgrade of the old Local Union Information System. In September of this year, Release 1A of the MRMS was successfully rolled out which included further enhancements of LUI based on feedback received from users of the system.

The much anticipated Release 2 of MRMS was rolled out on November 30, 2016. The major highlight in this Release is the introduction of the new Collective Agreement (CA) module

that will replace the current legacy CAIS application. One of the new features of the CA module will be CUPE's ability to expand on its reporting of collective agreement information. CUPE will now be saving collective agreement text in the database so users will soon be able to see not just which agreements have the best language on an issue, they will also see the actual language. Another new feature is tracking of Settlement information at the National, Regional and/or Sectoral level.

Release 3 is already planned for Q2 2017 which will see the introduction of a new Education module that will support the planning and delivery of training to CUPE members by providing features that include centralized access to education material, scheduling of workshops and schools across the regions, on-line registration, centralized tracking of participation, and enhanced reporting.

Electronic Document and Records Management (EDRM)

Over the summer, the EDRMS Project Team has done foundational work to actively start CUPE's migration towards an EDRMS (Electronic Document and Records Management System). A two-day session held at the National Office brought together the EDRMS Information Leads or EDRMS ILs, a group appointed by the CUPE Leadership and comprised of Executive Secretaries, Administrative Assistants and Administrative Officers from within and across CUPE. The meeting discussed CUPE's EDRM vision and delivered training on OneDrive for Business (ODFB) which provides a place in the "cloud" where each employee can store information, create, edit, share, access anytime, anywhere and on any device that has access to the internet.

These important foundational steps in the EDRMS Project can only be achieved with the participation of all CUPE employees.

IT Infrastructure:

Operations

2016 has seen an emphasis on planning for IT solutions to help CUPE pursue not only enhanced productivity but a more environmental friendly and collaborative workplace.

Beginning later this month, CUPE will begin a pilot project of Skype for Business to replace CUPE's current, aging telephone infrastructure. The pilot sites will include users from both the National and the Ottawa Area office. Upon successful completion of the pilot, CUPE will roll out a fully integrated Skype for Business solution organization wide to all users. This initiative will replace traditional desktop phone sets and allow users greater communication flexibility, including online face to face meetings, sharing of presentations, documents, desktops and audio/video conferencing. The full rollout is scheduled to take place beginning in 2017.

As well, CUPE has been engaged with Xerox on how CUPE can be more efficient and cost effective with printing, copying, scanning, and faxing including using less paper, power and supplies. To that end, a full print assessment is underway with an eye to consolidate and transition to new multifunction devices across the country in 2017.

PROPERTIES AND LEASEHOLDS

We are close to completing the design of our new space to house the BCRO in Burnaby and expect to tender the construction of our leasehold improvements in December. Our project team continues to work diligently to create a modern, flexible and respectful work environment which will encourage exchange of ideas and collaboration. We will continue to involve staff in this project. We plan to install furniture mock ups at the current BCRO location in late November in order to receive comments and feed-back from all employees. This will help us maximize the efficiency of our investment. The target move date into the new facilities is the Fall of 2017.

We are working on building system repairs and modifications at our Regina and Cranbrook properties. We are also working on design for modifications of existing leasehold improvements at our Winnipeg, Trail and Kenora facilities.

We have recently secured lease renewals in Sudbury and are in negotiation relating to our Oshawa location. We are also looking at several options regarding our offices in Barrie. We will be moving into a new building in Abbotsford in the Fall of 2017. We have started to work on design for this new space.

We recently signed a national purchasing agreement for office furniture with Teknion which will generate significant savings to CUPE and ensure a high level of service across the country. Teknion is a major unionized Canadian manufacturer of furniture and CUPE has been buying Teknion furniture as our standard for several years. This agreement will allow us to benefit from this business relationship in a significant manner.

CONFERENCES AND EVENTS

CUPE held its Sector Council Conference in Winnipeg from October 17 to 20, 2016. The conference was a great success with a total of 1,030 members and approximately 107 CUPE staff attending.

With the Sector Conference behind us, CUPE staff have turned their sights to the Building Stronger Workers Conference taking place from April 3 to 6, 2017, in Halifax. A site visit to the Halifax World Trade and Convention Centre took place on November 16 in preparation for the conference and CUPE staff got a chance to see the venue and begin the planning process for next year's conference.

CUPE is not only busy working on next year's conference but is already thinking to future conventions and is in the process of signing hotel and convention centre contracts for Vancouver in 2021 and Quebec City in 2023.

This year is quickly coming to an end and in a few short weeks, we will be entering 2017. As Canada will be celebrating its 150th anniversary and hotels will be extremely busy, the convention office along with staff advisors have already started scheduling and booking venues for next year's national committee meetings.

CUPE staff is hard at work planning and preparing for future meetings. 2016 was a busy year and 2017 promises to be as eventful with many meetings and opportunities for staff and members to meet and discuss issues that touch their lives, most particularly in the fall of 2017, at the national convention in Toronto.

TRAINING AND DEVELOPMENT

The education program has grown stronger across the country this year. The new bargaining education program continues to be rolled out with specific workshops for local executives, bargaining committees, mobilizing committees, strike committees, and activists. The workshops fit every need from the beginning to the end of the bargaining process.

The *Steward Learning Series* and *Financial Officers* workshops are regularly offered. There is increasing demand for the new workshops on mental health issues in the workplace and on human rights, all of which require advanced facilitation given the powerful issues being addressed.

Health and Safety Learning Series

UDD is having an excellent collaboration with the Health and Safety Branch and activist members in the regions to mark the celebration of the Year of Health and Safety. Some highlights of the year include eight health and safety conferences in the regions attended by 1,200 members, 450 Health and Safety Local Activist Recognition Awards, and a profile of a health and safety activist each month in CUPE.ca.

UDD kicked off the centre piece of the educational component of the Year of Health and Safety by unveiling the new *Health and Safety Learning Series*. To date, 155 health and safety workshops have been held across the country attended by 4,500 members. Like the *Steward Learning Series*, this series promotes life-long learning. After members take the introductory workshop, participants can take any of the 3-hour workshop modules contained in three sections: Skills Workshops; Perspectives Workshops; and Specific Hazard Workshops. Ten modules have been created and presented while five more modules will be introduced to the series in the coming year. The entire series is available in French and English.

PENSION ADMINISTRATION

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

As already mentioned, the January 1, 2017 actuarial valuation must be filed with the regulators. Considering the importance of this valuation, we have had numerous discussions with the Settlers and the Plan's professional advisors, in exploring possible solutions to alleviate the effect of the solvency funding requirements, that will likely be certified with the filing of this actuarial valuation.

We are also hoping that the Ministry of Finance will consider interim relief for those plans that must file in 2017. The trustees have had further discussions on this important matter at the December JBT meeting during the presentation of the actuarial assumptions to be used for the January 1, 2017 valuation.

Since the beginning of 2016, the market value solvency ratio has slightly increased from 84.1% to an estimated ratio of 84.8% at November 1, 2016, compared to 96.9% as at the last filed valuation effective January 1, 2014.

At the December JBT, the Trustees have met with the five Investment Managers of the Plan with the main objective of reviewing the investment activities of the year and the strategies for the coming year.

Plan members have now access to current and past pension annual statements through the Plan's website at www.cepp.ca.

Brother Gary Johnson, Retiree Trustee, has resigned from the Joint Board of Trustees, effective January 1, 2017. Brother Johnson's term, as Retiree Trustee was ending December 31, 2018. Pursuant to the Trust Agreement, Brother Barry Thorsteinson, Alternate Retiree Trustee, will assume the Retiree Trustee position, effective January 1, 2017 until the end of the term at December 31, 2018. The JBT is now conducting an election for the Alternate Retiree Trustee for this vacant position.

On a final note, on behalf of the JBT and all plan members, I would like to wish Brother Johnson all the best for the future and thank him for the immense contribution he has made to the Plan. Brother Gary Johnson has served on the JBT since the inception of the Trust in 1998.

Retirements

Sister Ravinder K. Sandhu, National President's Office – January 1, 2017
Brother André Racette, Quebec Regional Office – January 1, 2017
Brother Eddy Jomphe, Québec Area Office – February 1, 2017
Sister Selena M. Lashley, Research, Job Evaluation, Health & Safety Branch – Feb. 1, 2017
Sister Margot Young, Research Branch – February 1, 2017
Brother Pierre-Luc Dufort, Quebec Regional Office – February 1, 2017
Sister Danielle N. Wright, Equality Branch – March 1, 2017
Brother Marcel D. Girard, Quebec Regional Office – May 1, 2017
Sister Lucie Marengère, Per Capita Branch – May 1, 2017
Sister Kathy Maxon, Brandon Area Office – July 1, 2017
Sister Pamela J. Beattie, Organizing & Regional Services Department – August 1, 2017
Sister Nicole L. Campbell, Manitoba Regional Office – February 1, 2018

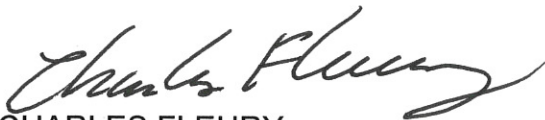
CONCLUSION

As 2016 draws to a close, I am confident that our campaign resources are strong and that we are making strong progress towards achieving the goals set out in our Strategic Directions plan adopted at our last CUPE National Convention.

As we approach the holiday season we remain vigilant in our efforts to support our striking members as well as those in our workplaces and communities and across the globe, who are having a difficult time providing a good life to themselves and their families.

I wish all CUPE members and staff the very best for the holiday season.

Respectfully submitted,



CHARLES FLEURY
National Secretary-Treasurer

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