

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

Ottawa, Ontario
June 17 - 19, 2014

Sisters and Brothers:

Once again we have gone through a busy spring on the bargaining and political fronts. In addition, we have had the opportunity to meet many local leaders and activists at nine Division conventions.

One of the highlights of those conventions is seeing how our union continues to renew itself with new and young activists. In many regions this year there seemed to be a large number of first-time delegates. This is encouraging because more than ever we need energetic, enthusiastic and committed activists to confront the attacks on workers and help bring about change.

After hearing the convention reports of the treasurers and trustees of those nine divisions, I am pleased that all divisions, without exception, have a solid financial base. I congratulate you for that.

Change was on the minds of voters in some regions of the country. In April we saw an outcome in the Quebec election that surprised almost everyone. And in Ontario, while the Liberals were re-elected with a majority, voters clearly rejected a right-wing, anti-union austerity agenda that featured slashing public sector jobs and giving corporations more tax breaks. We will all be watching to see what happens now with the proposed Ontario pension plan and with a new central bargaining process for CUPE school board workers.

CUPE was pleased to be a sponsor of the Broadbent Institute Progress Summit in late March. Hundreds of progressives came together to talk about how the Harper Conservatives have changed Canada and how we take back the country when we go to the polls next year. But it was also an opportunity to see how some seemingly progressive governments, such as Australia's Labour government led by Julia Gillard, don't recognize the problems inherent in contracting out services like the ones CUPE members provide.

As we prepare for next year's federal election, it's important to remember the policy outlined in the Strategic Directions adopted by delegates to our last National convention:

“CUPE reaffirms our 2011 commitment to work towards the election of a federal NDP government in 2015.” We can’t let our determination to defeat a right-wing government divert us into supporting parties that are ultimately not the friends of our members and all workers.

Another major event of this spring was the Canadian Labour Congress convention, which takes place every three years. From a financial perspective, there were two important resolutions adopted by delegates.

The first continues our support for the *Together Fairness Works* initiative, including a national television advertising campaign through the fall and into 2015, leading up to the federal election. A special levy of \$1.50 per member, that was due June 1, had already been built into our 2014 budget and one more payment will be included for 2015.

In addition, delegates approved an increase in per capita tax of 5 cents per member, effective January 1, 2015. CUPE National pays the CLC per capita on behalf of all CUPE members, so this will be taken into account when we prepare the 2015 budget.

Turning to the financial statements for the first quarter of 2014, the General Fund shows the result of the prudent approach we have taken. The per capita revenue projections prepared by staff are holding steady, with a small amount of \$80,337 over budget. While several budget lines are underspent, in most cases this is a matter of timing related to submission of invoices and not a reflection of CUPE’s activity on the ground.

Whether it’s election campaigns, the National Health Accord campaign, Unite for Fairness, the municipal finance toolkit released at the Federation of Canadian Municipalities conference earlier this month, preparation for the National Sector Council in October, the campaign to expand the CPP, or local and central bargaining, CUPE and our members are working full tilt.

This is also evident in the cost-shared campaigns that were approved in March and those being brought to this June National Executive Board meeting. If these are approved, close to 80% of the \$2.6 million budgeted for cost-shares will have been spent halfway through the year. We will continue to monitor this situation to try to ensure that funds are available for important campaigns that may arise in the second half of 2014.

FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2014

General Fund

The total assets in the General Fund at March 31, 2014 were \$184.0 million compared to \$183.7 million at December 31, 2013 and \$173.2 million at March 31, 2013. The bank balance at March 31, 2014 was \$10.6 million compared to \$10.2 million at December 31, 2013 and \$10.4 million at March 31, 2013. The bank balance includes \$8.0 million of cash reserved for retirement payouts, employee future benefit funding, the 2015

convention, a property maintenance reserve and the Regional Building Fund. The total investment set aside to fund Employee Future Benefit Expenses is \$46.8 million at March 31, 2014.

Fixed assets have increased \$420,000 in the quarter. The building envelope replacement work on the Ontario Regional Office is now substantially complete. Final invoices are still being processed and the project will come in on budget. In this first quarter of 2014, all desktop and laptop hardware older than 3 years was replaced with new equipment. This will now be a standard practice at the beginning of each new year.

The total liabilities in the General Fund were \$129.2 million at March 31, 2014, virtually unchanged from the previous quarter.

The provision for Employee Future Benefit expenses stands at \$74.5 million at March 31, 2014. As of the December 31, 2012 audited financial statements, the true actuarial liability was \$239 million, still leaving a significant gap of \$169 million unrecorded in our financial statements. As of the December 31, 2013 draft audited financial statements, the gap between the actual liability and what we have recorded has increased to \$178 million. Projections presented at the last National Executive Board meeting suggested that the money we are continuing to put toward this liability, in accordance with our roadmap, is allowing us to make slow and steady progress toward the target of recording the full liability on our balance sheet.

The Fund Balance at March 31, 2014 is \$54.9 million of which a total of \$3.5 million is restricted as follows: Convention and National Events Assistance Fund (\$1.1 million); Fightback Fund (\$428,000); and the Regional Building Fund (\$2.0 million). Of the remaining Fund Balance, we have invested \$52.9 million in fixed assets, leaving an unrestricted balance of \$1.5 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 invested in fixed assets.

The operating surplus, before provision for the Regional Building Fund and before taking into account unrealized gains on investments, is \$84,500. Per Capita revenue is over budget by \$80,000, and total revenue is over budget by \$414,000 due to higher than expected investment earnings. At the same time, expenditures for the quarter were under budget by \$85,000.

Below are some of the more significant variances in expenditures:

1. The Strategic Directions – AP Fund is \$441,000 under budget at the end of the first quarter due to time spent reviewing and approving plans submitted at the beginning of each year.
2. Work continues on the CUPE Fairness Project; however as at the end of the first quarter, spending sits at \$216,000 under budget since remittance of the CLC special levy was only due June 1.

3. No expenses have been received for the Fightback Fund as at the end of the first quarter of 2014; therefore it is under spent by the year to date budget of \$187,500.
4. Election spending is \$180,000 under budget for the year to date due to the timing of elections taking place after March 31.
5. Strengthening Provincial Divisions is \$160,000 under budget due to the timing of payments to be made during the year.
6. Office expenses are \$122,000 under budget for the year.
7. Operational Travel is over budget by \$427,000 due to the volume of travel undertaken by staff during the first part of the year, particularly for attendance at staff meetings and 2014 Division Conventions.

National Defence Fund

Assets in the National Defence Fund as of March 31, 2014 totaled \$8.3 million, compared to \$8.2 million at December 31, 2013. Liabilities totaled \$6.5 million, leaving a Fund Balance of \$1.8 million. Total revenue for the quarter is \$2.3 million against expenditures of \$2.1 million, leaving a small surplus for the quarter of \$178,000. We also incurred unrealized gains on investment income of \$41,000 leaving a total surplus for the quarter of \$219,000.

Cost-shared campaigns approved by the National Executive Board for the first quarter totaled \$1.1 million of the annual budget of \$2.6 million. Major Organizing expenses were \$425,000, while National Strategic Initiatives totaled \$489,000. Spending on Regional Strategic Initiatives totaled \$85,000.

National Strike Fund

Total Assets in the Strike Fund as of March 31, 2014 were \$77.5 million, compared to \$73.2 million at December 31, 2013. These assets consisted of \$15.9 million in cash, \$1.9 million in per capita receivable, \$59.8 million in investments.

Under Liabilities, there were accounts payable and accrued liabilities of \$59,000 and a small payable to the General Fund of \$9,000. Therefore, at March 31, 2014 the Fund Balance was \$77.5 million, compared to \$73.2 million at December 31, 2013.

Revenue into the Strike Fund, including investment income, was \$3.8 million for the quarter. Expenditures for the quarter were \$211,000. This results in a net surplus for the quarter of \$3.6 million, before taking into account unrealized investment gains of \$907,000.

STRIKES, LOCKOUTS AND SETTLEMENTS

Local 4616-02, Township of Bonfield, Ontario – After 10 months on the picket line, 16 members ratified a collective agreement on June 6, 2014, which saw five terminated workers reinstated and all major concessions pushed off the table.

Local 402-01, City of White Rock, British Columbia – 100 members on strike as of May 3, 2014. Issues include hours of work, fair treatment for casual and part-time workers and the need for a long-term disability plan.

Local 608, Naramata Centre, British Columbia – 30 members on strike as of May 15, 2014 against a move by the employer, United Church of Canada, to contract out services such as food and beverage and grounds maintenance.

PER CAPITA ARREARS

For the quarter ended March 2014, the total arrears were \$5,916,607, which was a decrease of \$802,853 or 11.95% from the previous quarter ended December 2013. Total arrears have decreased 11.87% as compared to March 2013.

TECHNOLOGY REPORT

In early April, the Information Management/Information Technology (IMIT) Steering Committee met for an update on 2014 IT Projects and further discussions of the tremendous amount of good work on the plate for 2014.

The initial release of the Fairness System was completed in early January. This system, developed to support the Fairness project, is currently in use in Ontario, British Columbia, Alberta and Saskatchewan, the Atlantic and Maritimes and is in its initial stages of roll-out in Quebec. Work is still underway on a mechanism for Fairness Reporting as well as a mobile app for data entry.

The request for proposal (RFP) for launching the Electronic Document Management and Records Management System (EDRMS) project was awarded in March to a team from Emerion. This is one of the largest projects on the list this year and will see the implementation of a standard approach to document and records management across the union. The project kick-off meeting, including an interactive session to identify the challenges, took place at the May Regional Directors meeting.

Development work continues on LUIS II. This system manages CUPE's local, local executive and member information. With new resources added to the project, the

timeline has been shortened significantly with an estimated delivery completion date within this calendar year.

The re-design of cupe.ca website was launched last month. NEB members will have a full tour at this meeting.

A project to upgrade CUPE's accounting system, Microsoft Dynamics SL was undertaken over February and March this year. The system was upgraded and tested and the Finance Branch is now operational with new version of Dynamics SL.

Preparations continue for work scheduled later this year that include a system to manage LTD, Arbitration tracking and reporting and upgrades to CAIS (Collective Agreement Information System).

The videoconferencing project is underway with new conferencing units installed in Calgary, Dartmouth, Edmonton, Fredericton, Winnipeg and Sudbury. The remaining sites, Regina, Saskatoon and St. John's, are still to be scheduled. Videoconferencing capability already exists at CUPE National, British Columbia Regional Office, Ontario Regional Office and all sites in Quebec.

The Wide Area Network (WAN) Expansion/Enhanced Security Rollout project is well underway with nearly half of all sites completed. Timing for completion is end of June 2014. This initiative will enhance IT Security on CUPE's WAN and Internet Connections for all offices with five or more users.

The Server/Software Upgrade project has been fully completed. This initiative upgraded all hardware and Windows software at our 11 largest offices across the country. This will allow us to proceed with full implementation of our password policy.

PROPERTIES AND LEASEHOLDS

Properties

In Markham, the deficiencies and outstanding work on the Ontario Regional Office re-cladding project are nearly completed. The seasonal work was delayed by a late spring which hindered the landscapers' efforts to tile the existing soil and re-sod as required.

We are proud of all of our environmental sustainability achievements, past and present. In Dartmouth, we've turned Green into Silver. Our 14,400-square-foot Atlantic Regional Office recently achieved LEED Silver certification from the Canada Green Building Council. The building was designed and constructed using practical and measurable green building strategies aimed at improving performance in key environmental areas, energy savings, water efficiency, improved indoor environmental quality, operations and maintenance solutions.

Construction on the interior fit-up at the National Office is substantially complete with only minor reconfigurations remaining.

Leaseholds

In Grande-Prairie, Alberta, a candidate property has been identified and we are finalizing negotiations with the landlord. We are securing a 10-year lease on the 2,300 square-foot space, effective August 1, 2014. We anticipate tenant improvements for the premises to begin this month, with a target occupancy date in early November 2014. The space is designed to accommodate growth and improve meeting facilities for the area office and members in surrounding areas. Our current lease has been extended to expire November 30, 2014.

In Red Deer, Alberta we are finalizing the lease details for space in a new building purchased by Local 417. This state-of-the-art, eco-friendly building has high efficiency technologies and systems throughout the building, requiring less maintenance and fewer replacement costs. It is also designed with specialized materials to combat Alberta's extreme weather conditions. The total space of 3,300 square feet is designed to meet the requirements of the area office as well as Local 417, who will occupy a small portion. The design also meets a growing need to provide meeting space for CUPE members in the Red Deer and surrounding areas, being ideally situated between Edmonton and Calgary.

The current RDAO building has been sold, conditional on occupancy of the new space, which is anticipated for mid-August.

In Burnaby, British Columbia, investigations are underway to identify potential alternate accommodations for the relocation of the British Columbia Regional Office and the British Columbia Division. A needs assessment has been completed and a realtor will be surveying the market for suitable candidate properties.

Negotiations are underway to renew the lease in Prince Albert, Saskatchewan.

We are exploring options for lease renewals or relocation for the Dalhousie Area Office in New Brunswick, Timmins, Lakehead, Kenora, Kitchener and Windsor Area Offices in Ontario.

NATIONAL CONVENTION AND OTHER CONFERENCES

2014 is a busy year for CUPE and the many meetings we are planning proves it.

In March, CUPE was invited to the Québec City Chamber of Commerce Gala Dinner to receive the award for 2013 business event of the year at the Quebec City Convention Centre. Normally this award goes to organizations and companies from the city, but

because of the positive impact our 2013 Biennial Convention had on the local economy, the committee has made an exception.

In April we had our All Committees' Meeting at the Ottawa Convention Centre with members from all of our 17 national committees attending.

Planning for the 2014 Sector Council Conference is in full swing. Advisors and co-chairs have been selected and conference calls to discuss the agenda and content have been scheduled. Several planning meetings have already taken place, and will continue to be held as we approach the meeting date in October. We estimate about 1,000 members will attend the conference at the Sheraton Centre in Toronto. Online registration opened at the end of May.

TRAINING AND DEVELOPMENT

We continue to build a larger and stronger team to deliver education and training. Member facilitators are a very important part of that team. In the fall of 2014, we will bring on another group of member facilitators when we hold two training sessions – one in Ontario and one in Nova Scotia. We want our member facilitators to be representative in terms of gender and equity seeking groups. It is important to balance the group in each region in other ways, too, such as where they live, availability and areas of expertise.

Our Union Development Department has standard policies for recruiting member facilitators. Interested members need to make a written application and then go through an interview process. Selected members take the training and there is a certification process following that training session.

On the Fairness project, UDD provided the first round of training for staff and member facilitators in all regions across the country to deliver Local Leadership and Communicator training sessions. In several regions, UDD has now provided a second round of training to expand the group of people assisting locals.

From April 27 to May 2, 27 staff representatives from across Canada participated in a pension training session. In what is becoming an annual training session we are building capacity in our union on pensions. Many of our most experienced representatives working in this area have recently retired or will retire within the next five years. This is a good example of how CUPE is addressing succession issues.

Across Canada, we had staff training sessions take place in May and June. There was a wide array of topics ranging from arbitration, legal issues and pensions to mental health at work and conflict resolution. We were pleased to provide some assistance to the Communications Branch, which has developed a new workshop, Media Relations for Representatives, that was piloted at the Atlantic/Maritimes training earlier this month.

In March a group of 40 people spent several days developing the foundation for an entirely new group of collective bargaining workshops. The new weeklong bargaining workshop has been piloted several times and will be presented at three more summer schools to further refine it. By next year UDD will have about 10 new workshops available on collective bargaining.

UDD is also working with Occupational Health and Safety to fulfill the 2013 National Convention resolution calling for a new OH & S education series. Modeled after the extremely successful Steward Learning Series, we expect that this new series will come on stream this year and next.

The department will pilot a new weeklong workshop on human rights this fall at Cornwall, Ontario. It will be available for presentation for those regions that wish to use it as part of their work on International Human Rights Day in December.

CUPE's Literacy Coordinator is working with others in the union to confront the latest attack by the Harper government, which is now taking funding away from groups promoting literacy.

PENSION ADMINISTRATION

Effective April 2014, Brother Andrew Mele has stepped down from his position of CSU Trustee on the Joint Board of Trustees (JBT). Sister Patty Brockman, who was alternate CSU Trustee, is replacing Brother Mele. Brother Peter Paulekat now serves as CSU alternate trustee.

The JBT have invited the Settlers to attend the presentation of the January 1, 2014 actuarial valuation at its June JBT meeting. The trustees are considering making important changes to both the economic and non-economic assumptions for the filing of the January 1, 2014 valuation.

The preparation of the 2013 Report to Members is underway and will be posted on the CEPP website – www.cepp.ca,

The Pension Plan staff is currently working on preparing the 2013 Annual Statements, which describe the members' pension credits and entitlements. The statements will be mailed to all active plan members late June 2014.

The administrative staff is organizing the Fall 2014 pre-retirement seminars. The seminar locations are yet to be confirmed. The seminars are offered to pension plan members who have reached age 45 and have five years of credited service under the Plan. The seminars better prepare members psychologically and financially for their retirements.

Deaths

Mr. Richard Monahan, spouse of Sister Betty Sommers – March 28, 2014

Sister Margaret Barclay, retiree, Kingston Area Office – May 7, 2014
Brother Roger Neeley, retiree, Ontario Regional Office – May 28, 2014

Retirement

Sister Marian Wiwchar, Victoria Area Office – March 1, 2014
Sister Heather Inglis, B.C. Regional Office – March 1, 2014
Sister Cora-Lee Skanes, Sudbury Area Office – July 1, 2014
Brother Sylvain Blanchette, National Office – July 1, 2014
Brother Alain J. Anglehart, Rouyn-Noranda Area Office – August 1, 2014
Sister Bonnie Ferguson, Alberta Regional Office – October 1, 2014

CONCLUSION

Sisters and Brothers, if you find yourselves with a bit of downtime this summer, I hope you'll use some of it to take a tour from our newly redesigned web site, cupe.ca. It's designed to be action-oriented, with less need to search for information and much improved capacity for searching when required. Thanks to all the staff in Communications and Information Technology who worked to bring this new design online.

I also want to thank Sister Pat Daley who will begin vacation on July 1, 2014, leading to her retirement after 12 years of dedicated work for CUPE. Pat joined the National Secretary-Treasurer's Office as an Executive Assistant on September 2, 2010, and I was happy to work with her over the last three years. I want to thank Pat for her dedicated work. You will be missed Sister! And I'm happy to welcome Sister Anne Healy who accepted to take over. Anne has been working as a Servicing Representative in the Ontario Regional Office.

I wish you all a pleasant and safe summer, full of time to spend with family and friends. And finally, let's make this Labour Day one to remember as we prepare to take on the Harper Conservatives in 2015.

Respectfully submitted,

CHARLES FLEURY
National Secretary-Treasurer

:pmc/ceu