

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

Ottawa, Ontario
March 11 - 12, 2015

Sisters and Brothers:

In the early days of 2015, we have finalized much of the financial and strategic planning for national initiatives to be carried out this year. If the first quarter of 2015 is representative of what lies ahead this year, we can be confident that we have the resources, the leadership and the strategies needed for the challenges that we will face this year.

Over the past two months, I have attended the meetings of many National Committees who have already met early in the year. You will see the specific plans and discussions in their reports. All National committees are reviewing their 2015 plans to see how we can integrate our CUPE wide Federal Election year themes into our work, including:

- Childcare
- Healthcare
- Retirement Security
- Good jobs and the economy

In January and February of each year, the National Officers meet in the eight regions and at our National office, with our dedicated and committed CUPE National servicing and resource staff. These gatherings are a crucial time to update the staff on the National perspective as well as getting their input and hearing about regional challenges.

It is clear that we are facing the effects of austerity budgets, privatization, contracting out and restructuring in every region. It is also clear that CUPE members are mobilizing and standing up to resist these attacks each and every day.

As we face this reality across the country, we know that the best way to prevent anti-worker and anti-union laws, is to elect a worker friendly government. We must all remember that the biggest challenge that we face this year on the National stage is the federal election. We can make a difference like never before. We have the possibility of electing Canada's first NDP government. If we refocus our campaigns and integrate face to face contact with our members into our election work, we will make the difference.

We held the first Telephone Townhall call of the year for national sector co-chairs and staff advisors early in January. It was informative to hear the input and to debrief from our very successful National Sector Conference in the fall of 2014. The leadership concurred that the conference was a resounding success and gave us helpful suggestions that will assist with our future planning. We are working to update our leadership contact information in our databases so that all local leaders are able to join us on future calls.

I had the great honour of attending CUPE's National Human Rights conference in Winnipeg in February. This was the largest human rights conference in CUPE's history. Five hundred delegates and staff from across the country spent three days together talking about and planning how to strengthen our CUPE human rights work. What a powerful way to start the year!

I was reminded that our Equality Statement guides us our work each and every day. While we believe the words in the statement that say "all members are equal and deserve mutual respect at all levels", our equality seeking members still face many difficult and different challenges. Those of us at the conference came away with a renewed perspective that the more we understand each other – the stronger we are, and that our differences do not make us weaker. Our differences make us stronger. We recommitted to be trade unionists who stand for justice and equality in all that we do in our workplaces, our union gatherings, our communities and across the globe.

As we review our plans for 2015, we can be assured that we have the resources to face all of our challenges if we fight smart and if we work together. In past years, our revenues used to grow by almost 7% but then dropped to just above 3% after the financial crisis. As reported in 2014, the growth in CUPE's revenues has slowed down considerably and yet, our fixed costs have risen by 2.3%. We anticipate this trend to continue throughout 2015 and beyond.

Our projections for per capita revenues are based on average wages and membership growth by Region and Division. Over the medium and longer term, we expect our revenues to grow by about 2.5% to 3% each year.

We know that membership growth is very difficult to forecast. Governments force representation votes, such as Bill 10 in Quebec, so even though this could lead to a drop in membership, we are committed to fight with all the resources needed to avoid these circumstances.

The same is true in Nova Scotia where the government is imposing similar restructuring. CUPE is vigorously resisting all attempts to break up our union.

In this year's budget we have committed significant resources to take on these fights.

Due to careful oversight, CUPE's spending continues to be closely managed. In 2014, spending pressures were such that we spent \$2.9 million more than we budgeted.

As our per capita income was 1.6% more than we projected, we were on target with our goal to avoid ending the year with a deficit.

At our December meeting, the National Executive Board approved the 2015 budget. The revenue growth expected in 2015 is 2.8%. The nominal amount of new revenue has been very carefully allocated to the budget lines where it will benefit most. The budget allows us to continue operating at current levels however we are very mindful that spending will have to be curtailed in many areas just to keep up with the cost of operating.

CLC per capita has gone up this year and we are also paying the special assessment of \$700,000 to the CLC to help pay for the CLC Fairness campaign and television ads; last year we also paid almost \$800,000 for the special assessment. We put a small amount of new revenue into some budget lines.

When we look at the other part of our budget – the National Defence Fund, we see that we have some big challenges. Our budget of 9.4 million dollars goes to cost-shared campaigns, major organizing projects, national and regional strategic initiatives and projects decided by convention.

If we look at the last three years – we have consistently spent more than our budget for cost-shared campaigns. This is money well spent as long as we continue to integrate members mobilizing into each campaign that we take on. We know that we must also be ready for all the future fights. The NEB will need to review the cost-share funding and investigate ways to increase the amount of money that we have available for campaigns related to cost-shares, organizing, as well as the vital Global Justice projects that we take on globally.

In our 2015 budget, we increased the Organizing budget by \$100,000, but we face very different organizing challenges in 2015. Government restructuring continues to give us massive challenges across the country and we must focus our resources in these critical areas.

Aside from our budget, other important projects are taking place. You will know that our National bonding insurance plan covers all locals, and all of CUPE, from financial losses and fraud. Over the past few years, we have seen a big increase in the number of claims that locals file to recover money. This means that we have seen big increases to our insurance premiums. The bonding insurance company has now instituted a deductible of five thousand dollars for each claim.

The other change that the insurance company requires is that National must now have a copy of the up-to-date Trustee Report for all locals who submit a claim. This Trustee Report must be filed within six months after the end of the local's financial year to be accepted by the bonding company. We already know that each local must file a Trustee Report with National. This change will reinforce the understanding that every level of CUPE must be accountable and transparent when it comes to our spending. Our members expect this from us.

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

General Fund

The total assets in the General Fund at December 31, 2014 were \$196.1 million compared to \$191.9 million at September 30, 2014 and \$183.7 million at December 31, 2013. The items of significance are discussed below.

The bank balance at December 31, 2014 was \$12.8 million compared to \$10.3 million at September 30, 2014 and \$10.2 million at December 31, 2013. The bank balance includes various internal cash reserves for retirement payouts, future benefits funding, 2015 Convention, a property maintenance reserve and the Regional Building Fund.

Fixed assets have increased a net of \$640,000 during the quarter. On the Property side, the building envelope replacement work on the Ontario Regional Office is complete and will come in on budget; we continued to receive invoices during this quarter. As well, we undertook Leasehold Improvements on our St. John's and Grande Prairie offices. From a Technology perspective, work on the roll out of video conferencing across the organization continues. The project to develop and implement an Electronic Document and Records Management System is progressing, as well as a number of smaller infrastructure projects in the Technology Branch.

The total liabilities in the General Fund were \$138.7 million at December 31, 2014, in comparison to \$136.5 million as at the previous quarter-end.

In the 2010 budget an increase to the annual provision for the liability for Employee Future Benefits was approved, in keeping with our goals to eventually fully record the liability on the face of our Balance Sheet. This provision is set at \$7,080,000 for 2014 and will increase by a further \$900,000 each year moving forward. As of the December 31, 2013 Audited Financial Statements, there was still a gap of \$178.0 million between the actual liability and what we have recorded in these financial statements. As presented at the December 2014 meeting of the National Executive Board, as long as we continue to budget this expenditure based on the Roadmap and providing that the actual annual costs come in line as projected by the Actuary, by 2018 the amount we are budgeting annually should be sufficient to cover the true annual costs and the gap should start to decrease in the years thereafter. As at December 31, 2014 our Balance Sheet reflected \$83.2 million of this liability.

The Fund Balance at December 31, 2014 is \$57.4 million of which a total of \$3.8 million is restricted as follows: Convention and National Events Assistance Fund, \$1.08 million and Regional Building Fund, \$2.75 million. The Restricted Fightback Fund has now been fully depleted. Of the remaining Fund Balance, we have invested \$54.2 million in fixed assets leaving a negative unrestricted balance of \$627,000. 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 is \$2.2 million. Per Capita revenue is over budget by \$2.9 million and total revenue is over \$4.1 million due to investment earnings. Total Expenses are over budget by \$2.9 million.

Below are some of the more significant items.

1. The Strategic Directions is \$426,000 under budget in this preliminary final report for 2014.
2. Under Union Development, Staff Development is \$182,000 over budget.
3. National Committees is \$411,000 over budget predominantly due to increased costs related to the bi-annual All Committees' Meeting.
4. Professional Fees are over budget by \$645,000.
5. Human Resources Program costs are over budget by \$794,000.

National Defence Fund

As at December 31, 2014, we have \$8.2 million in Total Assets compared to \$11.2 million at September 30, 2014 and \$8.2 million at December 31, 2013. The cash balance at December 31, 2014 is \$1.3 million, as compared to \$4.5 million at September 30, 2014. Additionally, we have investments totalling \$5.5 million, as compared to \$5.4 million at September 30, 2014.

Cost-shared campaigns approved by the National Executive Board for the year totaled \$2,830,756 of the annual budget of \$2.6 million. Major Organizing expenses were \$2,176,013, while National Strategic Initiatives totaled \$2,075,418. Spending on Regional Strategic Initiatives totaled \$1,609,317.

National Strike Fund

Total Assets in the Strike Fund as of December 31, 2014 were \$79.8 million, compared to \$80.6 million at the previous quarter end. These assets consisted of \$2.0 million in cash, \$2.2 million in per capita receivable, and \$75.6 million in investments.

Under Liabilities we have accounts payable and accrued liabilities of \$358,000; and a small payable to the General Fund of \$4,108, therefore, at December 31, 2014, the Fund Balance was \$79.4 million, compared to \$76.8 million at September 30, 2014.

Revenue into the Strike Fund, including investment income, was \$15.0 million for the year. Expenditures for the same period totalled \$10.7 million. This results in a net surplus for the year to date of \$4.3 million, before taking into account unrealized investment gains of \$2.1 million.

STRIKES, LOCKOUTS AND SETTLEMENTS

Local 608, Naramata Centre, British Columbia – 30 members locked out since May 15, 2014.

Local 2262, City of Castlegar, British Columbia – 30 members were out on strike on November 8, 2014 and returned to work on January 2, 2015.

Local 7000, Southern Railway, British Columbia – 120 members locked out since January 5, 2015.

Local 2019, Happy Valley-Goose Bay Municipal Workers – 44 members locked out since January 13, 2015 – settled February 17, 2015.

Local 3902-1, University of Toronto – 6000 members working as teaching assistants, lab instructors, lecturers and a range of other teaching support workers, on strike as of Friday, February 27, 2015.

Local 3903, York University – 3700 members working as teaching assistants, graduate assistants and contract faculty, on strike since Tuesday, March 3, 2015.

PER CAPITA ARREARS

For the quarter ended December 2014, the total arrears were \$6,399,375, which was a decrease of \$784,525 or 10.92% from the previous quarter ended September 2014. Total arrears have decreased 4.76% as compared to December 2013.

TECHNOLOGY REPORT

The Information Management / Information Technology (IM/IT) Steering Committee continue to meet regularly to discuss, be updated on, and actively govern the 2015 IM/IT Projects ongoing and planned for CUPE.

As the first quarter unfolds, the following accomplishments are expected to be achieved:

- LUIS II – The project has entered into the “user acceptance” phase and integration with other CUPE Systems phase. Implementation including documentation and training is being planned with rollout anticipated at the end of March 2015.
- Managed Mobility Solution (MMS)/New Mobility Policy – The solution has been launched in the Quebec Region, implementation has started in the rest of the country. This project will move CUPE away from a Blackberry only shop to full device choice and a 24x7x365 bilingual help desk for mobile devices. It will also see the introduction of Bring Your Own Device policy for those staff not entitled to a CUPE provided mobile phone.

- The Video Conferencing project has completed and is available in Quebec, Calgary, Dartmouth, Edmonton, Fredericton, Winnipeg, Sudbury, Regina, Saskatoon, St. John's, CUPE National, British Columbia Regional Office and Ontario Regional Office.
- Desktop/Laptop Rollout – This year's rollout of desktop/laptop hardware older than three years has commenced. Included as part of this year's rollout is upgrading all CUPE users to the latest version of Microsoft Office called Office 365. Office 365 will allow CUPE employees to not only be current and continually kept current with the latest Microsoft Office suite, but will allow for a more reliable, collaborative effort to support its members.
- Email Exchange 2013 – In conjunction with the Office 365 deployment, the upgrade of all Email servers to the latest version (2013) will also occur. This will allow all users to not only take advantage of newer features but will increase mailbox storage from 500MB per user to 50GB. It will also allow for greater flexibility in backup and archive capabilities.
- EDRMS Project – The project to introduce a full Electronic Document Records Management System has completed ten workshops with five more to complete. The workshops are geared for the gathering of inputs with representation across Canada from both the National and Regional Offices. To date, all workshops have been met with enthusiasm and the participants are pleased that CUPE is asking for their input into the solution process. User adoption is key and the EDRMS Project Team is in the process of finalizing a Change Manage Plan that will define the various tools such as Awareness, Engagement, Communication, Feedback and Training that will be required in the transition from the current to desired future state.

PROPERTIES AND LEASEHOLDS

Properties

The Markham building (Ontario Regional Office), recladding and skylight replacement projects are completed and I'm pleased to report that both were completed on schedule and on budget.

In March 2014, we reported that we were exploring relocation opportunities for the B.C. Regional Office. A realtor was hired to canvass the market for suitable properties based on our needs assessment. Twenty-two properties were considered and four were shortlisted. Of that, two potential locations have been identified, both with the option to lease or purchase. We have now begun to perform due diligence to confirm details and suitability for each. Both locations would meet the growing needs of our Regional Office and the British Columbia Division, and they are ideally situated next to the Sky Train for ease of accessibility for our staff and members.

Leaseholds

Construction of the interior improvements for the new St. John's Area Office in Newfoundland is complete and staff took occupancy of their new premises on February 27, 2015.

The lease for the Windsor Area Office, Ontario, has been renewed for an additional five years, beginning July 1, 2015 and terminating June 30, 2020.

The lease for the Kitchener Area Office, Ontario, has also been renewed for an additional five-year period, beginning July 1, 2015 and expiring June 30, 2020.

The lease for the Sault Ste. Marie Office, Ontario, has been renewed for an additional five-year period. The lease currently in effect for this office providing for a 24-month notice of intention to exercise the renewal option clause and we therefore entered into a renewal lease which will come into effect June 1, 2016 and expire May 31, 2021.

In Prince George, British Columbia, a candidate property has been identified. A conditional Offer to Lease has been executed providing the required time to perform our due diligence. The 6700 s.f. space would be demised to accommodate approximately 4000 s.f. of office and meeting space, secured by an 11-year lease agreement effective June 1, 2015. The new space would be designed according to CUPE's national specifications and would provide improved meeting facilities in a location better suited to staff and members.

We continue to explore options for lease renewals or relocation for the Dalhousie Area Office in New Brunswick, the Timmins, Kenora and Thunder Bay offices in Ontario, and the Medicine Hat Area Office in Alberta.

NATIONAL CONVENTION AND OTHER CONFERENCES

CUPE's Human Rights Conference which took place at the RBC Convention Centre in Winnipeg from February 5 to 8, 2015 was an outstanding success and members attending the conference had the opportunity to listen to remarkable panelists and speakers. Participants also had the occasion to visit the Canadian Museum for Human Rights and spend a few hours touring the museum and the poignant exhibits.

We have now turned our sights to the 2015 National Convention which will be held in Vancouver, B.C., November 2-6, 2015, at the Vancouver Convention Centre. CUPE will have as its headquarters hotel the Fairmont Vancouver Hotel, and the delegate hotels are: Hyatt Regency Vancouver, Four Seasons Hotel, Pinnacle Vancouver Harbourside Hotel (previously the Renaissance Vancouver Harbourside Hotel) and the Westin Bayshore Hotel.

While preparations have just started, we anticipate an exciting convention and will keep you up to date of all new developments with more information to come in the next few months. Locals will be sent by mail, no later than May 6, the advance notice for registration. All information will be available on our website at www.cupe.ca.

TRAINING AND DEVELOPMENT

Mental Health Modules in Stewards Learning Series

We are getting a very positive response from members to two new modules in the Steward Learning Series: *Understanding Mental Health* and *Creating Psychologically Healthy and Safe Workplaces*. The modules draw on the expertise of the Canadian Mental Health Association and the experience of CUPE staff reps and stewards to ensure that the content is appropriate and current. The modules have been piloted in Ontario (twice), Nova Scotia, Saskatchewan and Manitoba. We are currently scheduling special facilitator training for selected staff and members to deliver the modules. We are working closely with the Health and Safety branch to ensure consistency between our steward training and the training they are doing with health and safety activists around mental injuries.

Using our Power at Election Time

A new 6-hour workshop, along with a longer 2.5 day version, are scheduled for delivery over the coming months. We know that many of our members do not vote but that when union members do vote, they usually choose the more progressive candidate. This workshop's key objectives are to promote member engagement in any given election, to increase member participation in all aspects of elections, and to help members see their union as a place to go for information about politics. The workshops build on the Fairness approach: going to where the members are, listening to their concerns and building relationships. It will equip participants to talk to their members about election issues and about the importance of getting involved, from voting to running as a candidate.

A first pilot of the 2.5 day version was held in Saskatchewan in late January and another one at the end of February in Manitoba. An extended version of the course will be run in Alberta at the end of May. The 6-hour version is being piloted in Alberta at their education day on March 17th and is also scheduled to be delivered in Newfoundland-Labrador, Prince Edward Island and possibly in Nova Scotia during the month of May.

Human Rights Conference

Working collaboratively with the Equality Branch and others, UDD made a significant contribution to the highly successful National Human Rights Conference in Winnipeg. UDD selected and trained 33 facilitators to deliver 12 English and French workshops designed specifically for the conference. Once again, a professional ombudsperson team helped ensure a respectful environment for all those people attending. Many positive actions and conversations will arise from the conference in years to come.

Literacy Program

An update to the Canada Job Fund Report (CJF)

Literacy expert, Brigid Hayes, was commissioned by the Literacy Program to write an update of the *Report on the Canada Job Fund*. Based on information available in

January 2015, the new report, *Implementing the Canada Job Grant, a cross-country round-up*, goes into detail about the processes being developed and implemented across the country to launch the Canada Job Grant (CJG). Provinces and territories are responsible for delivering the Canada Job Fund, the agreement replacing the Labour Market Agreements (LMAs), and are at different stages of doing so.

Cuts to Literacy Continue

The latest victim of the literacy core funding cuts is COPIAN, which, at the end of January, closed its doors quietly after 25 years at the nucleus of Canada's community literacy network. The non-profit organization, previously known as the National Adult Literacy Database, was providing valuable resources in both languages to hundreds of literacy groups across the country. The Literacy Program of CUPE, teaming with a few remaining organizations in the field, have managed to save at least the COPIAN online library which will be accessible again in a few weeks.

On the good news side, the Literacy Program now has its very own Facebook page. Take a look and "like" the page.

PENSION ADMINISTRATION

Effective January 1, 2015, Brother Brian Edgecombe will be Chair for the Joint Board of Trustees of the CUPE Employees' Pension Plan and I will be Vice-Chair.

The Joint Board of Trustees will have its first meeting of the year end of March. At this meeting, the plan's actuary will present:

- The Pension Fund investment performance results for year 2014 which is estimated at a gross rate of return of 10.39%;
- The preliminary results of the January 1, 2015 valuation.

As a result of the filing of the January 1, 2014 Actuarial Valuation with the regulators, special payments totaling \$2.79 million must be remitted to the fund for year 2015.

As mentioned in my December 2014 report, the Trustees have proceeded with the addition of a Specialized Equity Mandate (Canadian small Cap Equities) to the portfolio. Barrantagh Investment Management Inc. was selected as the fund manager.

Preparations are underway for the 2014 Report to Members and Pension Fund Audit.

This year will be election year for the Retiree and Alternate Retiree Trustee positions. The three year term for both positions ends on December 31, 2015. The process of the election will start mid-spring.

Deaths

Mrs. Doreen Atkinson, spouse of late retiree Howie Atkinson – December 11, 2014
Sister Jane Inkman, Secretary, Cranbrook Area Office – December 28, 2014
Brother Thomas Mayo, retiree, Atlantic Regional Office – January 9, 2015
Sister Diane Jones, Secretary, Ontario Regional Office (Airline Component) – Feb. 5, 2015

Retirement

Brother Joseph J. Badali, British Columbia Regional Office – February 1, 2015
Brother Robert Bellerose, Quebec Regional Office – February 1, 2015
Brother Matthew Graves, Ontario Regional Office – March 1, 2015
Brother James Squires, Cornwall Area Office – April 1, 2015
Sister Lise Therrien, Quebec Area Office – May 1, 2015
Sister Lorna Myers, New Glasgow Area Office – May 1, 2015
Sister Monique Drapeau, North Bay Area Office – June 1, 2015
Sister Susan Jansen, Victoria Area Office – January 1, 2016
Sister Mariette Danis, National Office – June 1, 2016

CONCLUSION

While it is true that we will face many challenges this year, it is also true that we have begun to stand together like never before. CUPE activists, leaders and staff have gotten off to a very busy start. It looks as though we are in for quite a dynamic year ahead.

We have committed to stand side by side with the rest of the labour movement and our allies in our communities, to hold the Harper conservatives to account, and to build the conditions for the successful election of Tom Mulcair's NDP.

We will be successful when we all realize that working together is not just the right thing to do. It is also the most successful way to achieve our goals.

Respectfully submitted,



CHARLES FLEURY
National Secretary-Treasurer

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