

**NATIONAL SECRETARY-TREASURER'S REPORT
TO THE
NATIONAL EXECUTIVE BOARD
Ottawa, Ontario
March 22-23, 2017**

Dear Sisters, Brothers and Friends:

As we implement our *Moving Forward* agenda to resist concessions, two-tiered collective agreements, rising rates of violence in our workplaces, and precarious work, CUPE National has the plan and the resources to back up our locals across the country.

Our National Defence Fund continues to grow due to the decision taken by the delegates at the 2015 National Convention to increase the portion of per capita funds specifically dedicated to campaigns and organizing across our union. This segregated fund supports our cost-shared campaigns which when matched by a local union, double the available resources available to resist the fights that we face.

We have completed the 2017 regional and National Office staff meetings across the country. Along with a renewed commitment to fight concessions and to achieve gains at the bargaining tables, staff are engaged in setting the stage for a more systematic path to strategic planning and coordinating bargaining.

Budget 2017

CUPE and the broader labour movement face mounting challenges because of prolonged austerity agendas of governments intent on cutting taxes, downloading services and freezing spending. Increasingly, we are tasked with being the voice of resistance to forces promoting the needs of corporate interests over the needs of workers and our planet.

Our revenue growth continues to slow primarily due to low or non-existent wage increases, rising numbers of precarious positions in our workplaces and the high number of new members starting at the low end of the wages scales.

In keeping with the pattern over the last few years, CUPE's revenue growth has slowed significantly and we are projecting only a modest increase for 2017. Base wages of our members are expected to increase by an average of 1.5 percent while membership levels are projected to be essentially flat.

Combined membership and wage growth projections for 2017 suggest a 1.9% increase in per capita revenues for 2017 over 2016 projected actuals. The cost to begin the new year is almost three million dollars, leaving just under two million dollars of new revenue to spend on our priorities this year.

The 2017 budget includes commitments to:

- Provide funding for the Strategic Directions initiatives adopted by National Convention.
- Prioritize staffing resources to extend the 11 temporary staff positions currently in place which were added in 2015 and 2016. It would have been preferable to convert these jobs to permanent positions however, this will not be possible until we resolve our pension solvency payment obligations.
- Add one equality representative in the Ontario Region.
- Adjust the vacation, severance and LTD expenses in line with the new projections provided by our actuary. Continue our commitment to allocate significant resources to the future employee benefits categories based on the roadmap created by the NEB in 2005.
- Provide significant improvements to the Technology budget in the Finance and Administration department to reflect capital spending and substantial software program improvements.
- Complete several extensive CUPE office renovation projects to be undertaken in 2017. In keeping with past practice, office furniture will continue to be upgraded where needed.
- Reflect increases (or decreases) that have been committed in 2017, such as in rent, equipment, insurance costs, etc. For 2017 this includes expected savings from replacing the entire fleet of photocopiers across the country.
- Increase the rent budget in British Columbia to reflect the increased cost structure anticipated in the new building targeted for occupancy in the early fall of 2017.
- Complete the project started last year to install Wi-Fi in the boardrooms of most CUPE offices.
- Replace most hand-held telephone sets with Skype for Business as our existing phone systems are reaching the end of life in 2017.
- Continue the Technical Analyst position responsible for MRM development and upkeep.

- Change one vacant position in Human Resources and reclassify as a Health and Safety Officer to coordinate and ensure CUPE's employer obligations to our 856 staff members covered by seven (7) Collective Agreements across all provinces with differing legislative frameworks.

The Election Spending Budget has been increased by \$182,000 to have the resources necessary for the level of election activity expected in 2017. Taking the cost of planning for these priorities into account, we are left with a budgeted surplus for the year of \$1,596.

In previous reports I have raised the issue of the challenges associated with our pension solvency test. We have made significant progress on this issue over the past six months. We have worked together with our staff unions to develop a solution to our CUPE pension solvency issue which if not resolved would have CUPE paying between ten and fourteen million dollars per year for the next ten years. We are working with the Ontario government where our pension is registered to achieve an exemption to these payments by restructuring our plan.

Regional Challenges

In several regions across the country we are facing government imposed health care system wide restructuring, where union members are being forced to vote for the union of choice. Instead of channeling resources into service improvements, or developing multi-union structures, governments are redrawing administrative boundaries and structures, creating situation where unions are forced to compete against each other for members.

In Quebec, 15,000 CUPE members have completed representation votes over the past few months and results are being released throughout March and April. I remain extremely proud of the campaign work and commitment exhibited by our locals and dedicated staff throughout this difficult process. Health care locals in Quebec used this opportunity to campaign for an improved health care system and jointly committed unprecedented resources to this endeavor.

Additional representation votes will also most likely be occurring in the near future in Ontario, Saskatchewan and Manitoba.

CUPE Staff Bargaining

I am pleased to report that we have successfully achieved collective agreement renewals with CSU covering four Collective Agreements. We have tentative agreements with UNIFOR, SEIU and COPE. We can now focus on completing our two remaining collective agreements.

FINANCIAL STATEMENTS FOR THE QUARTER ENDED DECEMBER 31, 2016

General Fund

The total assets in the General Fund at December 31, 2016 were \$235.3 million compared to \$216.2 million at September 30, 2016 and \$207.2 million at December 31, 2015. The items of significance are discussed below.

The bank balance at December 31, 2016 was \$22.9 million compared to \$15.2 million at September 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.

The total liabilities in the General Fund were \$169.9 million at December 31, 2016, up \$14.1 million from \$155.8 million at September 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 on the Balance Sheet. Due to inflation, rising health costs, rising salaries, etc., it is usual to expect the real liability to increase each year.

In 2016 we have recorded an additional \$10.4 million of the liability, bringing the total recorded liability to \$107.3 million. The actual liability as of December 31, 2015, stood at \$184.4 million. We will be completing our annual actuarial valuation process to determine the total liability as at December 31, 2016 shortly, and at that point, we will be able to recalculate how far away we are from recording the full liability on the Balance Sheet.

The Fund Balance at December 31, 2016 is \$65.4 million of which a total of \$5.3 million is restricted as follows: Convention and National Events Assistance Fund, \$1.1 million and Regional Building Fund, \$4.2 million. Of the remaining Fund Balance, we have invested \$58.0 million in fixed assets leaving an unrestricted balance of \$2.1 million. This means that virtually 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 2016 is \$2,790,098, as compared to a budgeted surplus of \$752,156. Per Capita revenue is over budget by \$2,183,574 and total revenue is over budget by \$1,208,292. Total Expenses are under budget by \$829,650.

1. Strategic Directions, Fightback Fund and the Fairness project are \$1,260,000 under budget in aggregate.
2. Fixed Staffing costs are \$1,219,000 under budget. This budget line has been underspent for a number of years now and was carefully reviewed and reduced by \$500,000 for the 2017 budget.

3. Rent is running \$570,000 under budget due to the additional amount budgeted for the new BC Regional Office. These costs will not be incurred until we move in late 2017.
4. The National Services Programs is \$217,000 over budget solely due to Legal and Arbitration costs approved for the year to date.
5. Member facilitator costs in Union Development department are over budget by \$285,000 but this is offset by other program costs in the department being under budget.
6. Technology Program costs in Finance and Admin are over budget by \$325,000 largely due to the significant investments we are making in overhauling our custom designed software tools such as LUIS and CAIS into the new Member Relationship Management System.

National Defence Fund

As at December 31, 2016, we have \$16.3 million in Total Assets compared to \$13.7 million at September 30, 2016 and \$10.6 million at December 31, 2015. The cash balance at December 31, 2016 is \$4.7 million compared to \$4.4 million at September 30, 2016. In addition, we have investments totalling \$9.7 million on the books at December 31, 2016.

Under Liabilities we have accounts payable and accrued liabilities of \$2.1 million compared to \$523,000 at September 30, 2016. There is also \$5.5 million in cost-sharing campaigns' liability, up from \$4.6 million at the end of the previous year. Finally, there is \$2.1 million owed to the General Fund which was transferred over early in the new year.

Cost-shared campaigns approved by the National Executive Board for 2016 totalled \$3,311,860 of the annual budget of \$3.1 million. Major Organizing expenses were \$1,815,980, while National Strategic Initiatives totalled \$3,085,592 of the annual budget of \$2,460,000. Spending on Regional Strategic Initiatives totalled \$2,023,378.

National Strike Fund

Total Assets in the National Strike Fund as of December 31, 2016, were \$95.0 million, as compared to \$93.0 million as at September 30, 2016, and \$85.5 million at December 31, 2015. These assets consisted of \$4.7 million in cash, \$1.8 million in per capita receivable and \$88.6 million in investments.

Under Liabilities we have accounts payable and accrued liabilities of \$279,000, up from \$47,000 in September 30, 2016.

At December 31, 2016, the Fund Balance was \$94.8 million, compared to \$93.0 million at September 30, 2016 and \$84.5 million at December 31, 2015.

Revenue into the Strike Fund, including investment income, was \$12.6 million as at December 31, 2016. Expenditures for the year totalled \$6.0 million. This results in a net

surplus for the year of \$6.6 million, before taking into account unrealized investment gains of \$3.7 million.

STRIKES, LOCKOUTS AND SETTLEMENTS

Local 2974 – Employees of The Essex County Library, 45 members on strike from June 25, 2016 to February 14, 2017.

Local 4914 – Employees of The Peel Children's Aid Society (CAS), 436 members on strike from September 23, 2016 to December 17, 2016.

Local 2049 – Children's Aid Society of The District of Nipissing & Parry Sound, 117 members locked out since December 27, 2016.

Local 32 – The Corporation of the City of Cambridge (outside workers), 160 members on strike February 2 to February 7, 2017.

Local 4155 – Conseil scolaire de district catholique des écoles françaises de l'Est Ontarien #65, 260 members on strike February 7 to February 14, 2017.

Local 2500 – Employés de l'Université Laval, 1,730 members on strike since February 9, 2017.

Local 1281 – Ryerson Students' Union Employees, 1 member working for CUPE Local 3913, locked out February 16 to February 24, 2017.

Local 1882 – The Corporation of The City of Cambridge (inside workers), 170 members on strike February 17 to February 24, 2017.

Local 2073 – Canadian Hearing Society, 227 members (counsellors, literacy instructors, audiologists, speech language pathologists, interpreters/interpreter trainers, clerical support, program coordinators, program assistants, information technology specialists, and other staff at 24 Canadian Hearing Society offices across Ontario) on strike since March 6, 2017.

Local 4600 – Carlton University, Contract Instructors and Teaching Assistants, 2,800 members, on strike March 6, 2017.

PER CAPITA ARREARS

For the quarter ended December 2016, the total arrears were \$6,697,297, which was a decrease of \$2,024,904 or 23.22% from the previous quarter ended September 2016. Total arrears have decreased 13.36% as compared to December 2015.

INFORMATION TECHNOLOGY (IT) REPORT

The Information Management/Information Technology (IMIT) plan continues to progress with oversight by the IMIT Steering Committee. In the upcoming months, the IT Branch's primary focus will be to launch the new releases of the Member Relationship Management System (MRMS), to continue to move to stronger Electronic Document and Records Management (EDRM) across CUPE, and further enhance CUPE's IT infrastructure for staff.

Systems Development:

Member Relationship Management System (MRMS)

The MRMS Release 2B is scheduled to rollout for the end of Q1 2017. The initial introduction will be dedicated to Servicing Reps so that when a Servicing Rep opens up the MRMS, they will see a dashboard page that will consist of a list of their current assignments along with other pertinent information about their assignments like local contact information, notice to bargain date, last received trustee report, and quick links to open the latest collective agreement. Other notable news from this release is the integration with Quebec's Maurice system and Quebec's Collective agreements being migrated to MRMS Collective Agreement (CA) module.

Release 3 is planned for Q2 2017 which will see the introduction of a new Education module for UDD 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)

CUPE's EDRM Project is well underway with much hard work being undertaken by the EDRMS Project Team and the Information Leads; a group appointed by the CUPE Leadership and comprised of Executive Secretaries, Administrative Assistants and Administrative Officers from across CUPE. Staff are working more efficiently with Office 365, which includes Skype for Business and OneDrive for Business.

Collaboration with our members such as our National Committees is now possible with Office 365 Groups. Office 365 Group training, presentations and documentation is being delivered by the Project Leads. Furthermore, the Information Leads have now renamed and branded CUPE's EDRMS, the CUPE Cloud.

The project is on schedule to deliver the EDRMS interim solution by July 2017, when all OneDrive for Business training will be complete.

IT Infrastructure:

Operations

CUPE has begun the pilot of Skype for Business to replace CUPE's current, aging telephone infrastructure. Currently, 50 users from both the National and the Ottawa Area offices are testing the full capabilities of Skype for Business including replacing traditional telephone services and hardware. Upon successful completion, CUPE will roll out Skype for Business organization wide to all users by Q3 2017.

CUPE has partnered with Xerox and has begun an organization wide rollout of a new managed output (Print / Copy / Scan / Fax) solution based on XEROX multifunction devices. Part and parcel of this initiative is to replace printers which are directly connected to individual computers in order to substantially decrease the total number of print devices in use. Upon completion of the rollout, all CUPE users will have secure/confidential/colour/mobile printing and direct scan to email/OneDrive for Business. This project will not only allow CUPE to reduce its carbon footprint, but yield a significant yearly cost savings.

2017 will mark a milestone for CUPE as all remaining desktop computers will be replaced with laptops allowing all users the flexibility to work anywhere anytime while at the same time reducing rental cost for various meetings, conferences and conventions. All users not running Windows 10 will also be upgraded to Windows 10 and the laptop refresh cycle is changing from three years to four, further extending CUPE's return on investment.

PROPERTIES AND LEASEHOLDS

We have completed the design of our new space to house the BCRO in Burnaby and expect to tender the construction of our leasehold improvements in March. Our project team is working 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. 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 at 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.

CONFERENCES AND EVENTS

The beginning of 2017 has been a very busy time for CUPE conferences and events including, several branch meetings, regional and National office staff meetings, as well as several other National committee meetings.

The Equality Branch held a meeting of its five equity seeking committees on February 15-16-17, 2017 at the Fairmont Chateau Laurier Hotel in Ottawa. The Aboriginal Committee, Persons with Disabilities Committee, Pink Triangle Committee, Rainbow Committee and Women's Committee all met in individual committee meetings and joint plenary sessions to discuss a range of issues which impact their committees and members.

We are now turning our sights towards the Building Strong Locals Conference which is taking place from April 3 to 6, 2017 at the Halifax World Trade and Conference Centre.

WE Travel has been taking accommodation requests at our delegate hotels: The Hampton Inn, The Homewood Suites, The Westin Nova Scotian and Delta Halifax.

In the meantime, CUPE continues to prepare for its 2017 National Convention taking place October 2-6 in Toronto. The Advance Notice with all the information you need to prepare for this exciting event, will be mailed to chartered organizations on April 5, 2017 and will also be available online.

TRAINING AND DEVELOPMENT

Labour College of Canada Program Renewed

On January 13, 2017, the Labour College of Canada (LCC) Board of Directors approved a proposal for a renewed LCC program. This program will provide strong content with in-depth learning through critical thinking, and will promote strong union leadership skills.

The new program will utilize a modular learning structure offering courses online and in person at Canadian Labour Congress (CLC) Regional Schools in the winter and summer. This will allow for more flexibility for completion of the program.

Costs are reduced in this new model. Participants will take one of the four weeks online. In-person sessions will be offered during CLC Schools. As a result, LCC tuition fees and overall costs to locals will be reduced.

Finally, this new program recognizes the success of building diverse learning groups across unions nationally. Students will be supported and encouraged to coordinate their course choices with peers in order to self-select their cohort groups.

Timeline: The three in-person/in-residence weeklong sessions will begin at CLC Schools in February 2018. The LCC Registrar will be working with the Affiliate Working Group this year to finalize curriculum and course content in addition to developing a promotion and registration strategy for the new program. UDD will participate in the Affiliate Working Group.

Local Executive Training

UDD will be kicking off a new program in the spring of 2017. CUPE's Local Executive Training (LET) is designed to strengthen the leadership of CUPE for years to come. Workshop choices for local executive members will include:

- Strengthening skills, such as: Financial Essentials, Parliamentary Procedures, Strengthening Bargaining skills
- How to delegate and build future leaders;
- Addressing inequalities and build inclusive unions;
- Showing how leaders can build an active and engaged membership;
- Being strategic, organized, and effective leaders;
- Understanding roles and how to work effectively together;
- Providing leadership decision-making tools;
- Building skills for dealing with conflict; and
- Analyzing how leaders build solidarity within the labour movement.

Local Executive Training (LET) workshops are intended for people in elected positions, however, they will be open to members who want to learn more about a future on their executive.

Workshops may be offered for a single local executive, to a group of members who hold the same executive position, or to a mixed group of members attending a CUPE education event. More information will be provided in the June NEB report.

PENSION ADMINISTRATION

Effective January 1, 2017, Brother Brian Edgecombe became the Chair of the Joint Board of Trustees of the CUPE Employees' Pension Plan and I became the Vice-Chair.

The Joint Board of Trustees will have its first meeting of the year on April 12th.

The primary focus for the upcoming meeting will be the preliminary results of the January 1, 2017 actuarial valuation, which must be filed with the regulators in 2017. Various options will be presented to the Trustees to consider in order to alleviate the effect of the solvency funding requirements. We are continuing to work closely with the Plan's professional advisors in order to assist the Settlers with this very important matter.

The Plan's market value solvency ratio has increased from 84.1% at January 1, 2016 to 90.9% at January 1, 2017. This is good news however it remains well below 100% and below the last filed valuation results of 96.9% as at January 1, 2014.

The Plan's performance did very well in 2016 with a gross rate of return of 12.07%.

Preparations are underway for the 2016 Pension Fund Audit.

Retirements

Brother Mark L. Kernaghan, Manitoba Regional Office – February 1, 2017
Sister Carol Judges, Peel Area Office – April 1, 2017
Brother Duncan Bronson, Windsor Area Office – April 1, 2017
Sister Anne-Marie Caron-Côté, Edmundston Area Office, June 1, 2017
Sister Colleen E. Quintal, Lethbridge Area Office – July 1, 2017
Sister Lori J. Baldock, Manitoba Regional Office – October 1, 2017
Sister Doris Daigle, Saint John Area Office – October 1, 2017
Brother Richard Alexander, Kelowna Area Office – November 1, 2017

CONCLUSION

I am inspired by the breath of the work that we are engaged in across the country, on the national, regional and local levels. Over the course of 2017 we will strive to support each and every challenge that we face, inspired by the determination that our striking members have shown us through recent strikes.

Respectfully submitted,



CHARLES FLEURY
National Secretary-Treasurer

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