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**NATIONAL SECRETARY-TREASURER'S REPORT
TO THE
NATIONAL EXECUTIVE BOARD
Ottawa, Ontario
December 12-13, 2018**

Dear Sisters, Brothers and Friends:

Budget 2019

Over the course of the fall, extensive consultations took place with NEB members, senior staff from each region, and Managing Directors of each National Department. In addition, considerable input from researchers, our economist, and staff from the Finance and Administration Department established revenue projections for the new year. Our Strategic Direction document endorsed by delegates at the last convention also sets out some of the priorities for the year ahead. When all the input is combined, CUPE's budget consultation process provides a clear vision for our work in 2019.

As reported at the September NEB meeting, the *CUPE National Secretary-Treasurer's Taskforce on Staffing* made 25 recommendations addressing the needs of chartered organizations and how our servicing approach might be reviewed to better meet the current needs. Consistently throughout the Taskforce deliberations and in consultations across the country the clear and unequivocal priority of Locals was to increase the direct servicing support to locals.

During this budget process the Taskforce recommendations were assessed. The priority of the staffing recommendations in the 2019 will be that the vast majority of the additional positions be designated as permanent servicing representative positions so that we are able to better service our members in all regions.

MARK HANCOCK
National President/Président national

CHARLES FLEURY
National Secretary-Treasurer/Secrétaire-trésorier national

DENIS BOLDUC, FRED HAHN, JUDY HENLEY, DANIEL LÉGÈRE, MARLE ROBERTS
General Vice-Presidents/Vice-présidences générales



We anticipate a 4.4% growth in revenues for 2019. For the second year in a row since the financial and economic crisis of 2008/9 and ensuing austerity, revenue growth appears to be stabilizing in the short term. This is primarily due to economic, membership and revenue growth in our largest provinces of Ontario, Quebec and British Columbia although we anticipate that this stability will be short lived due to the agendas of governments recently elected in Ontario and Quebec.

Our revenue growth fell from 6% in 2008 to barely above 2% in 2015 and 2016, increasing slightly in 2017 and 2018. Our projections for 2019 show that despite regional variations, overall revenue growth throughout 2019 should stay consistent with 2017 and 2018 levels. We anticipate that our membership growth of 1% will 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 many of the challenges facing CUPE, while continuing to ensure stability for the years to come.

Quebec Events

The CPSU (Conseil provincial du secteur universitaire) invited me to participate in their October 25th event held in St-George-de-Beauce. I attended and addressed this dynamic bi-annual gathering of 19 locals representing over 10,000 members from the university sector who work as support and clerical staff and lecturers.

On November 16, CUPE Quebec sponsored their first ever gathering of youth union activists. All 110 participants were under 35 years of age. It was a full day of participation and presentations on different topics, including better understanding a new provincial legislation effective January 1, 2019, banning two-tier provisions in the workplace. The future of CUPE in Quebec is bright with these committed activists becoming more engaged in their union. I was truly honoured to have been invited to address this historic event. Judging from the extraordinary success of the day, this event will be held again.

Ontario Council of Hospital Unions Rally

In September I was invited by OCHU and the CUPE Ontario Division to address their rally held outside some of the largest CUPE represented hospitals in the country. Travelling from all over the province, some even boarding the bus at 2:30 am, 31 busses of CUPE members from dozens of locals, gathered to oppose the new Tory government's agenda.

CUPE members spoke out against privatization, staffing reductions, increased workloads for remaining front line workers and, drastic cuts that affect the quality of care for patients. The message was also loud and clear regarding the CUPE Ontario *Time to Care* campaign as it continues to build momentum calling for increased staffing and levels of care for seniors in long-term care facilities. I also joined the almost 2,000 thousand CUPE members in a march to Queen's Park to join the Ontario Health Coalition rally where over 8,000 of trade unionists and community allies called for the rebuilding and strengthening of public health care – with no cuts or privatization.

CUPE Saskatchewan Aboriginal Council Conference 2018

This fall I was very pleased to attend the annual Aboriginal Council Conference in Saskatoon. The theme of this year's conference was *Not One Step Back*. This gathering highlighted the advances made by the Council and CUPE National on the important work of fulfilling promises of justice and reconciliation for indigenous peoples. I am reminded that we have much work to do, to carry out our own responsibilities for reconciliation, such as building respectful relationships with Indigenous peoples in our union, in the labour movement, in our workplaces and in our communities.

CUPE National Sector Council Conference, November 5-8

The third bi-annual CUPE Sector Council Conference was a success according to all who participated. Bringing together over one thousand delegates from every region of the country, participants attended plenary sessions and their choice of more than ten sector meetings and plenary sessions.

The theme of this year's gathering was *Respect*. I spoke of the importance of respect in all areas of our work. This was my message: respect means having a safe and healthy workplace, where everyone is respected. It also means governments and employers need to respect our collective agreements. Our challenge is to work together to build respect for our members and for public services.

Hospital Employees Union (HEU) in British Columbia

I was very pleased to be able to attend the annual convention of the Hospital Employees Union in British Columbia in early November. I am always proud to address HEU, one of the founding unions of CUPE and one of our most militant, as they face tough multi-nationals, campaigns to improve standards of care and against P3 Hospital, contracting-out and more. All the while, HEU continues to campaign while they represent members who work with some of the most vulnerable people in our communities.

CUPE Ontario Women's Conference

On December 7, CUPE National sponsored a breakfast session at the Ontario Division Women's Conference where I was very pleased to address the participants. Over one hundred and thirty CUPE members attended the session and heard about CUPE National human rights and health and safety resources as well as CUPE National's work on women's issues. The session gave particular focus on the recent developments in our work to eliminate violence against women and to empower activists and locals to take a stand on gender and race-based violence in the workplace.

Restructuring and Representation Votes

Saskatchewan Health Care

Substantial CUPE National resources continue to be provided to the region to assist with the significant restructuring occurring in the health sector. In addition to massive organizational

changes, possible representation votes in the region could lead to 12,000 CUPE members and almost equal numbers of other union members in the sector, voting on union affiliation.

CUPE continues to work very hard to maintain and build alliances between health care unions.

Manitoba Health Care

CUPE National continues to support the active and dynamic campaigns currently underway in the Manitoba region. The entire health care sector is being restructured and thrown into turmoil due to government-imposed union representation votes taking place next spring, involving 10,000 CUPE health care workers and 13,000 workers from other unions in the sector.

Ontario Health Care

The Ontario health care sector continues to face representation votes in large hospitals in and around the Toronto area. Votes will be occurring early in 2019 at St. Joseph's Hospital, Toronto, Providence Healthcare and St. Michael's Hospital affecting 1,500 CUPE members and an equal number of members from other unions. Significant organizing and cost-shared resources are being dedicated to support these campaigns.

Benefits Roadmap

Since 2005, we have been making good progress on our goal to recognize the full liability for our Future Employee Benefit promises in our books. As of December 2017, we had recorded 73% of the liability and were on track to meet our goal of 100% recognition by the year 2023. As has become customary at each December NEB meeting, Don Smith will be giving us an update on the status of our progress toward that important goal.

CUPE National Staff Bargaining

CSU and CSU-NOC collective agreements for the term January 1, 2018 – December 31, 2021 are ratified and in effect.

UNIFOR 2013 (Reps) collective agreement for the term January 1, 2018 – December 31, 2021 is ratified and in effect.

SEIU Local 2 (Cleaners) have ratified a collective agreement for the term January 1, 2018 – December 31, 2021 and the MOA will go to the NEB in December for ratification.

UNIFOR 2023 (Clerical) are still in negotiations.

COPE Local 491 have reached a tentative agreement.

CDU are still in negotiations.

CEU have begun negotiations December 6.

FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

General Fund

The total assets in the General Fund at September 30, 2018 were \$290.4 million compared to \$288.2 million at June 30, 2018 and \$279.4 million at December 31, 2017. The items of significance are discussed below.

The bank balance at September 30, 2018 was \$28.2 million compared to \$30.0 million at June 30, 2018 and \$27.0 million at December 31, 2017. The bank balance includes various internal cash reserves which are set aside for retirement payouts, future benefits funding, property management, the 2019 Convention, the Regional Building Fund and the OSBCU liability.

The total liabilities in the General Fund were \$235.0 million at September 30, 2018, up from \$233.8 million at June 30, 2018 and \$225.0 million at December 31, 2017.

The Employee Life and Health Trust for the OSBCU has been established. Of the more than \$7 million start-up monies that CUPE has been managing, approximately \$1.0 million was spent on start-up costs, and \$1.0 million was transferred to the Trust. Following the end of this quarter, just under an additional \$5.0 million was also paid to the Trust and we expect the final transfer of funds to be completed by the end of the year. As previously reported, this amount is showing as a liability on our Statement of Financial Position until such time as all reconciliations are complete and we are in a position to transfer the funds to the Trust.

The true liability at December 31, 2017 stood at \$192.5 million, in comparison to \$186.0 million at the end of 2016. The December 31, 2017 Balance Sheet has recorded a liability of \$140.1 million leaving an unrecorded gap of \$52.4 million. Thus far in 2018 we have recorded an additional \$9.2 million of the liability, bringing the total recorded liability as at September 30, 2018 to \$149.3 million.

The Fund Balance at September 30, 2018 is \$55.4 million of which a total of \$1.7 million is restricted as follows: Convention and National Events Assistance Fund, \$912,000 and Regional Building Fund, \$750,000. Of the remaining Fund Balance, we have invested \$62.0 million in fixed assets leaving a negative unrestricted balance of \$8.3 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) for the quarter is \$958,000, as compared to a budgeted deficit of \$1.6 million.

Per Capita revenue is ahead of budget by \$1.5 million and general investment income is over by \$167,000. Realized investment income on our Employee Future Benefit investment account is \$421,000 over budget. Unrealized losses on that same account for the first half of 2018 were just under \$1.3 million. This amount is never budgeted in advance of course due to the inability to predict the markets into the future.

Salaries are over budget by \$397,000, current benefits under budget by \$220,000 and future benefits excluding the unrealized investment loss are over by \$1.4 million. Directors and

Representatives salaries are over budget by 0.5% (\$173,000). Administrative and Technical Salaries are 0.5% (\$39,000) under budget and Clerical salaries are over by 3.2% (\$423,000). Vacation Relief remains under budget by 14.8% (\$227,000).

Cumulatively, the other operating expenses are approximately \$2.0 million under budget. Below are some of the more significant items:

1. Strategic Directions is \$930,000 under budget.
2. Fightback Fund is \$750,000 under budget.
3. Election Spending is \$412,000 under budget.
4. Operational Travel is now \$133,000 under budget.
5. Office Expenses are \$102,000 under budget.
6. Professional fees are \$421,000 over budget.

National Defence Fund

As at September 30, 2018, we have \$15.4 million in Total Assets compared to \$14.8 million at June 30, 2018 and \$13.9 million at December 31, 2017. The cash balance at September 30, 2018 is \$1.6 million as compared to \$2.1 million in June 30, 2018 and \$1.2 million in December 31, 2017. In addition, we have investments totalling \$11.9 million on the books at September 30, 2018, a \$1.1 million increase over the prior period.

Under Liabilities we have accounts payable and accrued liabilities of \$2.4 million, up from \$1.0 million June 30, 2018 and \$2.1 million at December 31, 2017. There is also \$6.6 million in cost-sharing campaigns' liability, down from \$7.2 million at the end of the previous quarter. Finally, there is a \$168,000 liability owed to the General Fund at the end of September which has since been transferred back.

At September 30, 2018 the Fund Balance was \$6.2 million, slightly down from \$6.4 million at June 30, 2018 and comparative to \$6.2 million at December 31, 2017.

Cost-shared campaigns approved by the National Executive Board for the year to date totalled \$4,015,312 against an annual budget of \$3.5 million. However, there were \$907,965 in unused funds from prior years campaigns that have been closed out during the year to date. Major Organizing expenses were \$3,466,373 against the annual budget of \$3.6 million. National Strategic Initiatives totalled \$1,612,701 against the annual budget of \$2.9 million. Spending on Regional Strategic Initiatives totalled \$872,125 with a budget for the year of \$2.1 million.

National Strike Fund

Total Assets in the National Strike Fund as of September 30, 2018 were \$98.3 million, as compared to \$96.7 million as at June 30, 2018, and \$99.3 million at December 31, 2017.

These assets consisted of \$3.1 million in cash, \$1.9 million in per capita receivable and \$93.3 million in investments.

Under Liabilities we have accounts payable and accrued liabilities as well as a payable to the General Fund totalling \$284,000, down from \$498,000 in June 30, 2018 and \$446,000 at December 31, 2017.

At September 30, 2018 the Fund Balance was \$98.0 million, compared to \$96.2 million at June 30, 2018 and \$98.8 million at December 31, 2017.

Revenue into the Strike Fund, including investment income, was \$9.5 million as at September 30, 2018 and expenditures totalled \$10.4 million resulting in a deficit \$869,000, before taking into account unrealized investment gains of \$20,000.

STRIKES, LOCKOUTS AND SETTLEMENTS

Local 5317, Viterra Inc. (Quebec) – Lock out of 51 members began January 31, 2018 with members returning to work September 18, 2018.

PER CAPITA ARREARS

For the quarter ended September 2018 the total arrears were \$9,810,340 which was an increase of \$1,207,701 or 14.04% from the previous quarter ended June 2018. Total arrears have increased 44.71% as compared to September 2017.

INFORMATION TECHNOLOGY (IT) REPORT

In the upcoming months, the IT Branch's primary focus will be on planning for 2019 including enhancements to CUPE's new automated Expense Statement System (Moniroo), the Member Relationship Management System (MRMS), as well as, replacing CUPE's Per Capita system, upgrading CUPE's Financial and HR systems and lastly, continuing to move to stronger Information Management across CUPE via the CUPEcloud initiative.

MRMS

In November the MRMS Release 3E was deployed which included significant enhancements to the Local Union Information (LUI) and Education (ED) modules.

In preparation for the next Convention, design and development work is continuing on the next major MRMS release, Release 4 (R4), the Events Management (EM) module. EM will replace CUPE's current Convention Registration system and eventually, the Conference system. Testing is to commence early in the new year in order to ensure the system is ready for the next Convention.

CUPEcloud

Over the past year, the CUPEcloud project has evolved considerably and continues to help CUPE move towards better information management practices overall. Work is ongoing on Phase 1 of the project with the help of 45 Information Leads across the country.

The retention schedule consultations are well underway with half of them completed. This will remain the primary focus of the project for the coming months.

The project team has also been working on some exciting activities for 2019 that include the development of a communications plan that will lay out various types of communications such as newsletters, videos, recording. The team will also be reviewing, updating and developing information management policies.

CUPEhub

CUPEhub is CUPE's single repository for key information (English and French) for all CUPE staff. CUPEhub is being updated so, as to remain a continually valuable tool for staff to locate information.

IT Infrastructure & Operations

Migration of primary telephone numbers at all Regional offices and at CUPE National onto Skype For Business continues and costs savings are starting to be realized. New meeting room technology continues to be implemented including new Microsoft Surface Hubs and Polycom Trio speaker phones creating opportunities for more collaborative meetings through audio, video and desktop sharing.

PROPERTIES AND LEASEHOLDS

The development process is well underway for several projects including leasehold improvements in Yarmouth, Trail, Winnipeg, Sherbrooke, as well as capital investment projects in Markham, National Office and other properties. This is the first year of our 15-year capital expenditure program designed to uphold the value of our real-estate portfolio, extend its useful life and ensure it continues to meet our operational requirements.

After careful analysis of the costs and issues we have been experiencing with our building in Regina, we have determined that it makes sense to sell the property and find new space to house this office. We have been working on identifying leasing opportunities in this market. The new offices will reflect CUPE's collaborative space concept design. We will be working closely with our designers and management team to create a new modern, state-of-the-art and respectful work environment.

We have recently successfully negotiated a new lease in Sherbrooke, and lease renewals in Medicine Hat and Lethbridge, and are currently negotiating new leases and extensions in Victoria, Peterborough, Pembroke, St. Catharine's and Prince Albert. We are also starting to look at our options regarding our leases in Timmins, Calgary, Red Deer and Fort McMurray.

CONFERENCES AND EVENTS

The 2018 Sector Council Conference was a great success and we had a very strong turnout with 1,062 members from all over the country coming together to help make this year's conference such a highly attended event.

A couple of weeks prior to the conference, CUPE conducted an accessibility site audit in Saskatoon in preparation for next year's 2019 Bargaining Conference taking place March 18-21, 2019 at TCU Place. Michael Butler and Katia Beck from National Office were accompanied by Sister Laurie Hughes and Sister Dawn Sabeski from the National Persons with Disabilities Committee, as well as Patrick Quirouette from W.E. travel for this visit. The team visited TCU Place, the Delta Bessborough and Sheraton Cavalier, as well as two non-unionized hotels which CUPE is holding for our members who require rooms closer to the convention centre. The Sisters from the Persons with Disabilities Committee completed an accessibility site audit form for each facility which has been shared with the NSTO as well as W.E. Travel as well as with each venue. This is invaluable information as it allows the hotels and conference centre an opportunity to improve their product and accessibility to all guests.

In addition to the larger events that we are busy planning, CUPE continues to plan numerous meetings throughout the year, keeping the lines of communication open with our members and their union.

PENSION ADMINISTRATION

Following the last round of collective bargaining, the provisions of the Plan have been amended as follows:

- Pensions and deferred pensions will be indexed effective January 1, 2018. Furthermore, subject to an affordability test, pensions and deferred pensions will be indexed on January 1 each year after 2018 in line with the increase of the Consumer Price Index.
- Effective October 3, 2018, for members who joined the Plan on or after May 17, 2007, the reduction applicable to the annual bridge benefit has changed.
- Effective January 1, 2019, based on the going concern funded ratio threshold of 130%, the employer required contribution rate will either be 12.2% or 13.2%.

Communication including a copy of Amendment No. 78 was sent to all Plan members in October. Amendment No. 78 is also available on the CUPE Employees' Pension Plan website at www.cepp.ca.

The retirees' monthly pension benefits payable on December 1, 2018, reflected the applicable indexation rate and included a retroactive adjustment for the period from January 1 to November 30, 2018. A letter with indexation details was sent to all retired members in November.

As mentioned in my June 2018 report, this year is an election year for the Retiree and Alternate Retiree Trustee positions. Sister Nancy Parker was recently elected as Retiree Trustee. Her three-year term will start on January 1, 2019. The Joint Board of Trustees is currently in the process of the election of the Alternate Retiree Trustee.

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

Retirements

Sister Wanda R. O'Connor, Lakehead Area Office – December 1, 2018
Sister Julie Fenton, Research, Job Evaluation and Health & Safety Branch – January 1, 2019
Brother Timothy B. McCoy, Technology Branch – January 1, 2019
Brother Daniel R. Weiman, Terrace Area Office – January 1, 2019
Sister Dominique A. Barrette, Quebec Regional Office – January 1, 2019
Sister Jill A. Smyth, Kitchener Area Office – February 1, 2019
Sister Jackie B. Cherry, Oshawa Area Office – February 1, 2019
Sister Patricia L. Lemire, Cornwall Area Office – March 1, 2019
Brother David Perkins, Saint John Area Office – March 1, 2019
Sister Madeleine Bélanger-Hudon, Rimouski Area Office – May 1, 2019
Brother James Flynn, Ottawa Area Office – June 1, 2019
Sister Susan M. Lott, Legal Branch – June 1, 2019

CONCLUSION

As 2018 comes to an end, we can be assured that CUPE National is in sound financial health and that we have the resources to face each and every challenge in the coming year. While the struggles will be significant, we will continue to build our union through resourcing increased member and community engagement, improvements to our internal systems and improved services to our members.

As we begin the holiday season, we look back on 2018 with great pride in our accomplishments. I wish each of you and every CUPE member and staff person a peaceful and happy holiday.

Respectfully submitted,



CHARLES FLEURY
National Secretary-Treasurer

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