



CANADIAN LABOUR CONGRESS

Financial Report

Report of the Secretary-Treasurer
to the 30th Constitutional Convention

TABLE OF CONTENTS

Introduction	2
Affiliates and Membership	3
Audited Financial Statements.....	3
Per Capita Allocation.....	3
CLC/QFL Protocol.....	4
CLC Departments and Regions	4
Financial Statements – Highlights	5
Important Expenses and Liabilities.....	6
Direct Staff Costs (Salaries + Benefits, Pension Plan + Other Benefits and Travel)	7
Together Fairness Works Initiative	8
CLC General Fund — Going Forward	9
Staff.....	10
Chartered Union Defence Fund	11
International Activities Fund	11
Convention Fund.....	11
Severance Pay Fund.....	12
Labour Centre CLC (Ottawa) Inc.....	12
Conclusion	13
On a More Personal Note.....	14
Appendix A: 2022 CLC Audited Financial Statements (with 2021 Comparatives)	15

Introduction

The duties and responsibilities of the Secretary-Treasurer are set out in Article 17 of the Canadian Labour Congress (CLC) Constitution. The Secretary-Treasurer is required to report to each convention of the CLC on the administration of that office. This constitutes the report, to be read together with the CLC Financial Statements for each of the years ending December 31, 2021, and 2022. The Audited Financial Statements for the year ending December 31, 2022, were approved and adopted by the Canadian Council on April 28, 2023, and are included in the Convention documents. The Financial Statements set out the revenues, expenses, assets, liabilities and net assets of the CLC.



Our General Fund Financial Statements are meant to outline the results of operating our various services/departments, including servicing activities in the regions of Canada. These Financial Statements also outline the financial results of the Chartered Union Defence Fund, the Convention Fund, the International Activities Fund, and the Severance Pay Fund. Combined Financial Statements are prepared to give delegates an overview of the financial position of the CLC.

Since our last CLC Convention was held in 2021, Audited Financial Statements are presented for the year ending December 31, 2022, with comparative figures for the preceding year (2021). The annual budgets and the Financial Statements are presented to Canadian Council members at least twice a year.

Affiliates and Membership

Since our last Convention in 2021, we have maintained our membership level at approximately 2.4M paying members per year.

As we believe we are stronger together, we continue to have conversations with some unions that are outside of our house of labour. One of our objectives when we got elected as a new leadership team in 2021 was to unite the labour movement and finally be able to speak with one voice on behalf of organized labour.

Audited Financial Statements

The CLC Financial Statements are audited annually by independent external auditors. It should be noted that, based on Canadian auditing standards, the date of the Auditor's Report cannot be earlier than the date that the Financial Statements in final form are approved by the Canadian Council.

As is always the case, our auditors have issued a qualified opinion due to the voluntary nature of our revenues and some employee future benefits costs that are not reflected in our Financial Statements.

The Audited Financial Statements as of December 31, 2022, were approved and adopted by the Canadian Council on April 28, 2023. Financial Statements as of December 31, 2021, have been approved by the Canadian Council in the last fiscal year.

Per Capita Allocation

Following our resolution adopted at our virtual Convention in 2021, our per capita was raised from \$0.75 per member per month to \$0.77 in January 2021, to \$0.79 in January 2022 and to \$0.81 in January 2023.

These new revenues have allowed us to keep honoring our financial obligations despite ongoing inflation, hire new staff to fulfill the expectations of our affiliates and deliver our political agenda as a newly elected leadership team.

Conventions are financed through monthly allocations from the General Fund, interests, and registration fees.

With the commitment of every affiliate and internal financial discipline, we managed to balance our books over the last few years. However, we continue to be vulnerable to inflationary cost increases (such as annual increases to our office rental costs for example) which can't be compensated for by our flat rate revenue structure. Only an increase in our membership level or an increase in our per capita rate can help alleviate those inflationary pressures. While it would be ideal to find a permanent

solution to our vulnerability towards inflation, we think we can work with the current per capita rate until our next Convention in 2026 barring any unforeseen circumstances.

CLC/QFL Protocol

In 1993, the CLC signed an agreement with the Quebec Federation of Labour (QFL) to reaffirm its solidarity and define a new relationship based on mutual respect, taking into account the language, cultural and political differences of Quebec. The allocation of per capita reflects the number of CLC affiliated union members working in Quebec.

CLC Departments and Regions

In the past two (2) years, the money available in the General Fund to finance current operations was allocated to the following departments, regions, and line items:

- Administration;
- Benefits;
- Education;
- Headquarters;
- Health, Safety and Environment;
- Human Rights;
- National Campaigns;
- Political Action and Communications;
- Regions (Atlantic; Ontario; Prairie & Pacific); and
- Social and Economic Policy.

For each of the departments and regions mentioned above, a detailed budget is prepared at the beginning of each year, and is divided into the following three categories:

- a) salaries;
- b) travel, which includes transportation, per diem, hotel, car lease or allowance, and car operating costs; and
- c) operating expenses, which includes postage, telephone, special projects, conferences, rent, office supplies, publications, translation, photocopying, meetings, equipment rental costs, computer maintenance, working groups, committees, website updates, grants and contributions to various organizations.

Financial Statements – Highlights

To comply with current accounting principles, the CLC must present consolidated Financial Statements, which include all the different funds (General Fund, Chartered Union Defence Fund, Convention Fund, International Activities Fund and Severance Pay Fund).

Over the last two years, our membership has remained relatively stable. The average number of members covered by the per capita received is summarized as follows:

	2022	2021
Affiliated unions declared membership	2,451,228	2,369,370
Members in directly chartered local unions	0	0

Consolidated revenue of the CLC after appropriations to the various funds and to the QFL, as well as consolidated expenses for the years 2022 and 2021, can be summarized as follows:

	2022	2021
Revenue after appropriations to the Convention Fund, and the QFL	\$ 21,932,990	\$ 23,511,445
Expenses	\$ 22,238,473	\$ 22,185,539
Revenue over expenses (Expenses over revenue)	\$ (305,483)	\$ 1,325,906

Consolidated expenses have been slightly higher than consolidated revenues in 2022 due to significant deposits that have been made in anticipation of our 2023 Convention in Montréal. As for our operations are concerned, we had more revenues than expenses in both years.

Operating (General Fund) revenues and expenses for the years 2022 and 2021 can be summarized as follows:

	2022	2021
Operating Revenues	\$ 21,639,243	\$ 21,992,340
Operating Expenses	\$ 21,372,104	\$ 20,800,489
Revenue over expenses (Expenses over revenue)	\$ 267,139	\$ 1,191,851

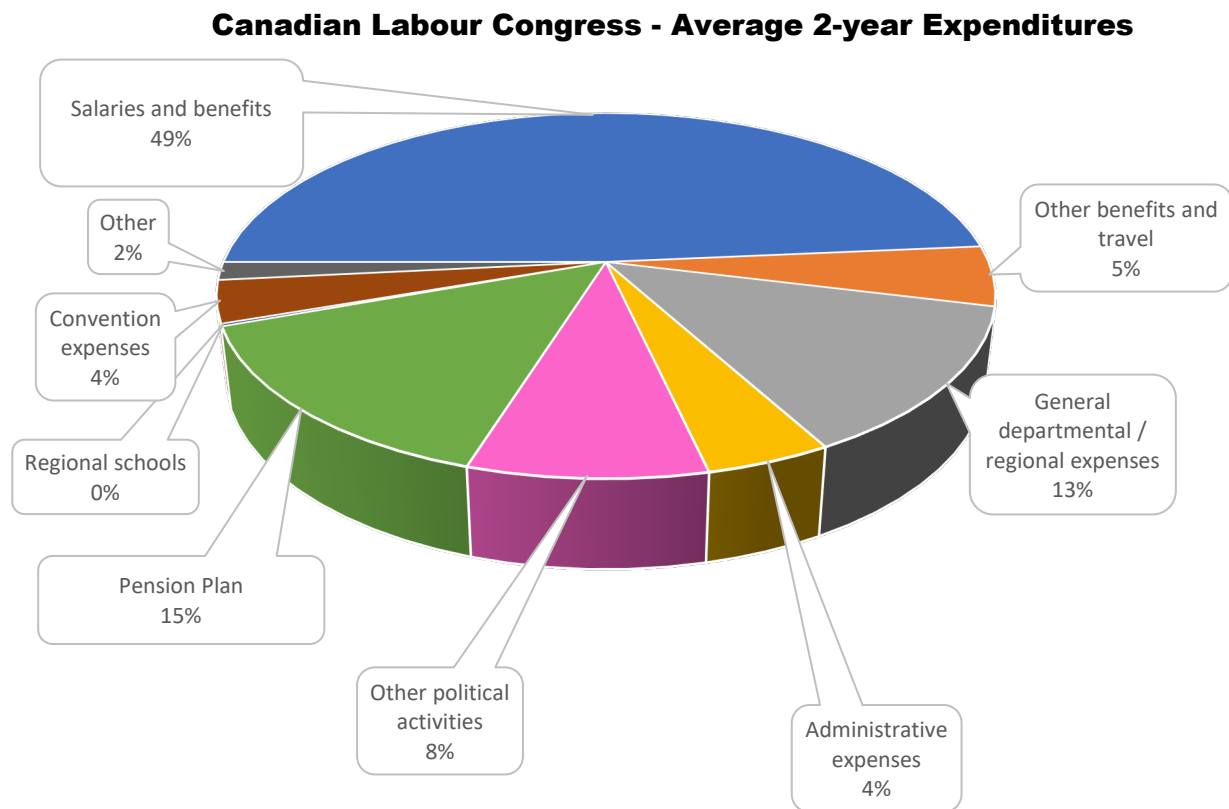
As shown above, in the last two (2) fiscal years, we managed to generate annual operating surpluses. These results have been achieved after having honored our commitment made in bargaining to make a special contribution to our Employees' Pension Plan representing 50% of our annual surplus to help with its deficit.

Important Expenses and Liabilities

Consolidated expenses of the CLC can be broken down in the following major categories:

	2022	2021
Salaries and Benefits	\$ 11,348,972	\$ 10,228,996
Pension Plan	\$ 2,747,925	\$ 3,742,550
Other Benefits and Travel	\$ 1,485,493	\$ 871,816
General Departmental/ Regional Expenses	\$ 3,278,245	\$ 2,563,977
Administrative Expenses	\$ 990,169	\$ 974,812
Other Political Activities	\$ 1,392,053	\$ 2,329,922
Regional Schools	\$ 74,539	\$ 23,087
Convention Expenses	\$ 656,096	\$ 1,003,652
Other	\$ 264,981	\$ 446,727
TOTAL	\$ 22,238,473	\$ 22,185,539

Below is a chart showing the average distribution of our expenses over the last two (2) years.



Direct Staff Costs (Salaries + Benefits, Pension Plan + Other Benefits and Travel)

As you can see from the chart, our direct staff costs represent on average 69% of our total expenses (Salaries and benefits + Other benefits and travel + Pension Plan).

Our most expensive benefit is our Employee Defined Benefit Pension Plan. Our Pension Plan costs for 2022 were \$2,747,925, which included our current service cost, our mandatory deficit payments and a special voluntary deficit payment of \$267,139.

We are awaiting an updated actuarial valuation of the Pension Plan for the employees of the CLC as at December 31, 2022, which we are expecting in the fall of 2023. Our most recent actuarial valuation as at December 31, 2019, showed a Going Concern deficit of \$10,890,051 with a funded ratio of 92.9% (vs. \$10,083,935 and 89.14% as at December 31, 2016). The Pension Plan is a multiple-employer plan, and our share of the deficit was \$9,545,801 at the end of 2019 (vs. \$9,101,023 in 2016). Our Pension Plan was funded at 94% on a solvency basis (same as in 2016), but only funded at 68% (vs. 66% in 2016) on a wind-up basis (transfer ratio). The CLC's combined contribution rate and annual lump sum payment toward the

deficit amount to 33.32% of payroll. Pension costs are an important part of our overall expenses, and we are committed to the long-term sustainability of our Defined Benefit Pension Plan.

There is an accounting principle which requires that all costs of future benefits (pension benefits, life insurance, health benefits, etc.) be accrued and recognized as expenses in the Financial Statements during the years of active service of employees. The cost of future benefits (pension benefits, life insurance, health benefits, etc.) not accrued in the Financial Statements amounted to \$36,962,800 as at December 31, 2022. As indicated in the Auditor’s Report, this liability is not recorded but shown as a note to the Financial Statements. These future benefits are part of compensation but will be paid after retirement.

Other benefits and travel significantly decreased since the start of the pandemic in early 2020. We knew the savings were temporary, and we have seen our travel expenses go back to pre-pandemic levels in 2022 as travels gradually resumed:

- Other benefits and travel 2022: \$1,485,493
- Other benefits and travel 2021: \$ 871,816

Together Fairness Works Initiative

Our “together FAIRNESS WORKS” initiative to improve labour’s image started in 2013. The following financial summary dates to the start of our campaign:

	From 2013 to 2016	From 2017 to 2020	TOTAL
Total Revenues	\$ 13,765,904	\$ 1,585	\$ 13,767,489
Total Expenses	\$ (23,517,174)	\$ (396,889)	\$ (23,314,063)
Net	\$ (9,751,270)	\$ (395,304)	\$ (10,146,574)

Since we increased our CLC per capita from \$0.70 to \$0.75 per member per month in January 2015, we committed to using the additional \$0.05 to pay down our deficit on the “together FAIRNESS WORKS” initiative. As of December 31, 2022, the deficit on our initiative was still not fully paid:

“together FAIRNESS WORKS” deficit as per above	\$ (10,146,574)
Additional per capita (\$0.05) received in 2015	\$ 1,637,240
Additional per capita (\$0.05) received in 2016	\$ 1,645,730
Additional per capita (\$0.05) received in 2017	\$ 1,632,476
Annual surplus applied to deficit – 2018	\$ 259,198
Annual surplus applied to deficit – 2019	\$ 387,274
Annual surplus applied to deficit – 2020	\$ 0
Annual surplus applied to deficit – 2021	\$ 1,191,851
Annual surplus applied to deficit – 2022	\$ 267,139
Remaining deficit	\$ (3,125,666)

Due to financial operating challenges that started with the loss of a significant affiliate in early 2018, the CLC Canadian Council agreed to use the additional \$0.05 per capita to run the operations of the CLC and apply operating surpluses to the campaign deficit until fully repaid.

CLC General Fund — Going Forward

We have been able to stay within the operating budget in each of the years 2021 and 2022.

Operating a financial model with fixed revenues (i.e., \$0.81 per member per month) and variable expenses (i.e., influenced by cost of living) requires constant monitoring and discipline. Cost control mechanisms are required for the long-term sustainability of such an operating model. That said, like most affiliates, a significant portion of the CLC expenditures (over 69%) relate to staff costs (salaries, benefits and staff travel). The annual per capita increases in each of 2021, 2022 and 2023 kept us afloat while dealing with inflationary pressures, particularly in 2022. We will continue to spend diligently to ensure the ongoing financial sustainability of the Congress and our Employee’s Defined Benefits Pension Fund.

Given the importance of our Pension Plan costs in our overall budgeting process, we have continued to monitor the performance of our Pension Plan investment structure (including its asset mix) and our investment managers.

We continue to hold regular meetings of our Pension Advisory Committee composed of representatives from the Employer and Employees from both staff unions (active and retired).

While the equity markets are often unpredictable and can vary significantly, we feel that our current structure allows for the appropriate balance of risks/rewards that we can tolerate given the mature demographics of our Pension Plan. While we are confident with our current structure, pension consultant and managers, we will not let our guards down and continue our ongoing diligent monitoring.

The results of our most recent pension valuation as at the end of 2019 were still showing a going concern deficit of \$10.89M (funded ratio 92.9%) and a wind-up deficit of \$41.97M (transfer ratio 0.68). Our ongoing obligations to the Fund are significant:

- \$1.2M of annual Going Concern Unfunded Liability payments
- Employer normal cost of 12.43% plus monthly expenses of \$21,897 (represents approximately 16.11% of pensionable earnings combined)

At the end of each of the past two (2) fiscal year, we made special contributions representing 50% of our annual operating surplus towards our Employees' Pension Plan deficit:

- Voluntary contribution to the pension plan in 2022: \$ 267,139
- Voluntary contribution to the pension plan in 2021: \$1,224,847
- **Total voluntary contributions over the past two (2) years: \$1,491,986**

Staff

As soon as we got elected in June 2021, we made it a priority to engage early with our bargaining units to renew their collective agreements that were expiring. I am proud that 3-year collective agreements were successfully negotiated with the staff unions in our first six months in office. The parties will be back at the bargaining table in 2024.

Since taking office in 2021, we have increased the capacity of the CLC by hiring some vacant positions and also adding some needed support in key departments. We have hired more than 20 staff over the course of the last 2 years. Given that staff is our most important resource and largest expense by far, we continue to evaluate every staff vacancy considering operational needs and financial capabilities. As of December 31, 2022, there were 83 active staff members on the CLC payroll. I am very proud of our current staff complement filled with talented and passionate

individuals who are all pushing in the same direction for the greater good of working people.

Chartered Union Defence Fund

This Fund is used to help members of directly chartered local unions during a strike or for related legal costs.

As at December 31, 2022, we did not have any remaining directly chartered local unions at the CLC, and the Fund had a balance of \$149,827.

International Activities Fund

We have received voluntary contributions from affiliated organizations, federations of labour and labour councils. The monies received serve to assist trade unions in developing countries. We generated \$24,191 in revenue over the past 24 months and spent \$42,502 for the same period. The balance of the Fund stood at \$119,222 as of December 31, 2022.

The CLC established an HIV/AIDS Labour Fund for HIV/AIDS victims. The balance of this fund was \$176,026 as at December 31, 2022, and it is presented in the International Activities Fund as a Trust liability.

Convention Fund

The Convention Fund is used to defray the costs of conventions and is funded by the CLC General Fund through regular monthly transfers. Part of our Convention costs are offset by our registration fees (\$400 for an in-person convention) and the interest income we generate in our Convention Fund.

Our virtual convention in 2021 ended up costing \$1.7M which is significantly lower than the cost for a usual in-person convention (Toronto 2017: \$3.7M; Montréal 2014: \$2.7M and Vancouver 2011: \$2.9M).

We are forecasting convention costs of \$3.7 million for our 2023 Montréal Convention and revenues of \$1 million for a net cost of \$2.7M.

As of December 31, 2022, the Fund had a balance of \$2,527,128, which is more than enough to take us through this Montréal Convention.

Severance Pay Fund

All CLC employees are entitled to two weeks' pay for each year of service upon leaving the CLC after completing a minimum of two years of service.

That Fund is fully funded as we have liabilities of approximately \$2.4M to our staff for their accumulated severance rights as of December 31, 2022.

Labour Centre CLC (Ottawa) Inc.

The Labour Centre CLC (Ottawa) Inc. is a non-profit organization which holds title to the property and buildings of the CLC. The Centre owns the Headquarters building in Ottawa and an office in Vancouver.

Here is a quick financial overview of the last two (2) years:

	2022	2021
Revenue	\$ 1,712,054	\$ 938,313
Expenses	\$ 934,694	\$ 877,097
Excess of revenue over expenses	\$ 777,360	\$ 61,216

It should be noted that the 2022 financial results include a gain of \$756,446 for the sale of its building unit on Joyce Street in Vancouver, BC. The net assets of the Labour Centre as of December 31, 2022 were \$4,209,722.

The Labour Centre's Board of Directors is made up of the four elected CLC Officers who ensure its day-to-day operations.

The Labour Centre provides rent-free space to the Congress of Union Retirees of Canada (CURC) and United Way.

The cost of the construction of the new CLC building in 2008 was \$11,500,000, which included office space leased to the Canadian Federation of Nurses Unions (CFNU) who are still a tenant in our CLC Ottawa building. The mortgage on the building was fully paid up in 2015.

Conclusion

We continue to focus on providing affiliates with the high-level service they are expecting of us, knowing we have limited resources.

We are also focused on balancing our budget every year and paying down the deficit of our CLC Employees Pension Plan.

In keeping up with our financial discipline and rigorous spending controls, we feel confident we can continue to balance our budget in the next 3 years.

Given our revenue model (\$/member), we anticipate that another discussion around our CLC Per Capita formula will be needed at our next Convention in 2026.

We need to have the financial means to continue to deliver the highest standard of services and professionalism that we are committed to and that our affiliates are expecting of us.

Over the last two years, we have established ourselves as a new credible CLC leadership team, and we multiplied the efforts in getting our collective messages and perspectives out to the public as well as to the federal, provincial, and municipal governments. Our involvement and advocacy on behalf of working people must be persistent, consistent, and well-structured to ensure that labour's priorities are known, heard, and prioritized.

We have also made significant efforts during our short 2-year term to reconcile the labour movement as we feel very strongly about the advantage of being united. We are committed to continuing the conversations with the hope of having all the organized labour contributing to our political conversation and setting our collective priorities. Speaking with one strong voice, in solidarity, is key to getting governments attention.

Thanks to all the hard work from our CLC team and our affiliates, we have celebrated several victories in the last two years that we should all be proud of. That said, our journey is not over. We must continue to put the pressure on our governments, so they always consider our perspective in every decision they make.

The CLC has established its priorities and quite a few initiatives will arise from this 2023 Convention as we continue to fight for good jobs, a democratic agenda, climate action and human rights issues.

On a More Personal Note...

I wish to thank my fellow Officers, the affiliates and all CLC staff for their continuous support and cooperation during my first term at the CLC. It was a true honor to become the first worker of East Asian descent to be elected to the CLC executive level back in 2021.

I anticipated that the task ahead would be filled with challenges, and my instincts were right. This short 2-year term allowed me to get a clear understanding of our financial situation, our policies, and procedures. It also allowed me to identify several areas where I feel we can make improvements and start implementing changes. I recognize the challenges in front of us, but I am hopeful for the future, and I feel good about the team in place at the CLC. I know we have the people power and talents to serve our affiliates and get through inevitable bumps along the way.

As for delivering on my responsibilities as your Secretary-Treasurer, I have been supported by competent staff starting with my Executive Assistant Jennifer Tingley, all the staff in our accounting department and my Political Assistant, Jasen Murphy, who has proven to be a competent and professional advisor. Together with my team and the support of our affiliates, we managed our way through some difficult times.

Along with my other fellow Officers, I am committed to continuing the efforts in finding a path to unify and strengthen the House of Labour. Speaking with one voice is more important now than ever— after all the hard lessons that the pandemic has taught us.

Collectively, we are the labour movement and must act as influencers with all levels of government because they are responsible for enacting legislation that affects the quality of life of working people everywhere.

Finally, I am proud of the work that I have been privileged to do but there's so much more work ahead. I hope to be honored with your trust and the privilege to continue to represent our affiliates and working people over the next 3 years.

Together and united, we can lift working people up!

Solidarity Forever!



Appendix A: 2022 CLC Audited Financial Statements (with 2021 Comparatives)



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HEADQUARTERS
Canadian Labour Congress
2841 Riverside Drive
Ottawa, ON K1V 8X7
Telephone: 613-521-3400
Fax: 613-521-4655

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