

# **Defense Fund Oversight Committee Report to the 74th CWA Convention**

# **CWA**

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**Communications Workers of America  
April 22-23, 2013  
Pittsburgh, Pennsylvania**



## **Defense Fund Oversight Committee Report April 2013**

Through resolutions and rules adopted by various CWA conventions, the Defense Fund Oversight Committee (DFOC) is charged with the responsibility to review activities associated with the Defense Fund, the Robert Lilja Members' Relief Fund and the Strategic Industry Fund. The DFOC is authorized to examine receipts, disbursements, investments and the administrative policies associated with the funds. The DFOC may also, with a 2/3 vote, affirm CWA Executive Board actions that are consistent with the rules governing certain funds. The DFOC is required to report its findings to each convention and make recommendations to the convention where appropriate.

The Defense/Members' Relief Fund Oversight Committee met on December 10-12, 2012 and January 8-9, 2013 in Washington, DC. The committee reviewed activities associated with The Robert Lilja Members' Relief Fund (RLMRF), the Defense Fund (DF) and Strategic Industry Fund (SIF).

### **INVESTMENTS**

Prior to submitting this biennial report, the DFOC met with representatives of the Marco Consulting Group (MCG) to review investment performance for the Robert Lilja Members' Relief Fund and the Defense Fund. MCG was selected to serve as investment advisors and co-fiduciaries on these funds effective June 1, 2009, after a request for proposals was issued for these services in the spring of 2009. MCG first presented an investment analysis to the DFOC at the CWA convention in June 2009, and has subsequently updated the committee on investment performance at meetings in Washington, DC. Investment Performance Services (IPS) was selected as an independent monitor and is responsible for monitoring and verifying that fund investments are made in accordance with guidelines established by the President and Secretary-Treasurer, who are trustees of the funds.

As of March 31, 2013, the RLMRF had a value of \$444,787,000. This represents a \$23.3 million or 5.2% increase over the fund's \$421,474,000 balance at March 31, 2012. During the 2012 calendar year the investment gain/loss equaled \$28,975,536. According to RLMRF guidelines, when the fund's assets fall below the floor of \$377,484,108, the quarter hour dues that would otherwise be sent to the Strategic Industry Fund are retained by the RLMRF. Once the target floor balance is achieved, the quarter hour of dues is redirected to the SIF and the RLMRF's growth is fueled by investment returns and asset appreciation. The RLMRF did not fall below the floor during the period from March 31, 2012 to March 31, 2013.

The Defense Fund had a balance of \$11,584,000 as of March 31, 2013, a \$366,000 or 3.3% increase from its \$11,218,000 balance as of March 31, 2012. While the fund experienced \$2.2 million in gains during the 12-month period, \$1.7 million was distributed.

## THE ROBERT LILJA MEMBERS' RELIEF FUND

The balance of the RLMRF as of March 31, 2013 is **\$444,787,000.**

Last year, when Hurricane Sandy devastated the homes of our members, the DFOC authorized up to \$4 million from the MRF to the CWA Disaster Relief Fund for member relief, repeating the action taken by delegates after Hurricane Katrina.

The DFOC reviewed the current mortgage rates and in light of the decline in commercial mortgage rates, proposed to delegates at the 2011 convention, a reduction in new mortgages from the previous rate of 7.73% to 6% for a 15 year fixed rate loan or 6.5% for a 30 year fixed rate loan. The fund is still the first lien holder and the loan may be up to 80% of current appraised value and with a clear title. Those holding current mortgages can apply to modify an existing loan. Locals who wish to refinance to the new rate must obtain a new appraisal for their building and sign new paperwork. Financial records will be reviewed prior to approval.

All mortgage loans held by the MRF are current as of March 31, 2013 - they are:

<b>LOCAL</b>	<b>BALANCE @ 03/31/13</b>	<b>LOAN AMOUNT</b>
1040	\$ 346,351.16	\$ 1,206,000.00
1105	445,402.03	450,000.00
1107	157,362.97	200,000.00
1109	457,756.48	525,000.00
1133	857,117.95	997,986.67
2108	601,323.01	698,000.00
2222	111,920.10	261,000.00
3406	38,287.54	125,000.00
3407	6,722.59	25,000.00
4100	307,345.72	334,000.00
4103	66,260.51	70,000.00
4123	.00	64,000.00
4340	893,628.21	1,100,000.00
4501	88,970.40	158,000.00
6222	4,700,273.69	4,748,796.28
7704	67,666.63	86,000.00
7708	155,163.67	265,000.00
7803	144,004.81	190,000.00
9003	585,297.77	589,975.88
9423	827,846.74	906,216.15
9509	764,350.04	850,000.00
9588	197,754.32	200,000.00
<b>Total</b>	<b>\$11,820,806.34</b>	<b>\$14,049,974.98</b>

**THE ROBERT LILJA MEMBERS' RELIEF FUND EXPENDITURES  
APRIL 1, 2012 - MARCH 31, 2013**

**STRIKE RELATED:**

LOCAL 81313 – GLENN PAINTER	\$ 80,000
LOCAL 30213 – MBS RADIO	\$ 103,318

**DEFENSE FUND**

The balance of the Defense Fund as of March 31, 2013 is **\$11,584,000.**

**DEFENSE FUND EXPENDITURES  
April 1, 2012 – March 31, 2013**

**STRIKE RELATED:**

LOCAL 30213 – MBS RADIO	\$ 7,343
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**Allocations and expenditures which were approved by  
the Executive Board and the Committee:**

<b>Defense Fund Project / Local</b>	<b>Allocation</b>	<b>Amount Spent</b>	<b>Balance as of 03/31/13</b>
Nabet Local 54042 Original Date Opened 03/22/11	\$50,000.00	\$31,582.28	\$18,417.72
Verizon East	\$6,600,000.00	4,040,694.76	\$2,559,305.24
Vineland Development Local 1040	\$350,000.00	\$32,846.50	\$317,153.50
Peoria Journal Star TNG-CWA Local 36047	\$11,288.00	\$6,080.00	\$5,208.00
University of California CWA-UPTE Local 9119	\$50,000.00	\$33,007.24	\$16,992.76
Super Shuttle Local 7777	\$25,000.00	\$21,762.54	\$3,237.46
EZ Pass Local 1102	\$47,100.49	\$19,544.64	\$27,555.85
AFA CWA US Airways Local 22041, 23089, 27066 & 28070r	\$582,000.00	\$513,370.90	\$68,629.10
Cleveland Plain Dealer TNG-CWA Local 34001	\$150,000.00	\$76,715.80	\$73,284.20
Verizon Southwest District 6 – Closed	\$188,000.00	\$187,387.29	612.71
Bloomberg Bureau of National Affairs (BBNA) Local 32035	\$45,100.00	12,325.00	\$32,775.00
TNG-CWA and PPMWS Members at Journal Register Corp	\$60,000.00	\$0.00	\$60,000.00
District 7 Members in Contract Fight with CenturyLink	\$410,000.00	\$0.00	\$410,000.00
First Contract Fight with Cablevision Local 1109	\$350,000.00	\$0.00	\$350,000.00
St. Mary's Hospital Local 9413	\$52,550.00	\$9,405.00	\$43,145.00
Local 1180 Members in Contract Fight with NYC	\$507,200.00	\$0.00	\$507,200.00
<b>TOTALS</b>	<b>\$9,465,238.49</b>	<b>\$4,984,721.95</b>	<b>\$4,480,516.54</b>

## STRATEGIC INDUSTRY FUNDS (SIF)

The balance of the Strategic Industry Fund as of March 31, 2013, is **\$31,613,815**.

The Strategic Industry Fund campaigns adopted by the delegates at the 2006 convention continue to increase our leverage at the bargaining table and further our major policy initiatives. Over the course of the years we have experienced many successful projects and are beginning to gain insight on how to better manage future projects.

The campaigns operate with specific budgets and clear measurable benchmarks at six-month evaluations. We currently have over **50** active SIF campaigns.

SIF campaigns continue to stay well within their budgets.

In 2011, the delegates to the 73<sup>rd</sup> CWA convention adopted a resolution to distribute from the SIF to locals and the international an amount equivalent to \$20 per member for each member paying into the MRF. The membership records used for this calculation are the records that were used for the 2011 convention and would be paid no later than January 1, 2012 and again no later than January 1, 2013.

In December, 2011 the first distributions totaling almost \$6,000,000 were distributed to 790 locals and almost \$6,000,000 to the international. In December, 2012 the second distribution was made, thus making the final amount to date as \$11,720,858 to the local's and \$11,720,858 to the international. The breakdown by industry is listed below.

### SIF BUDGET AS OF 3/31/13

		BUDGETED	EXPENSE	BALANCE	CLOSED	SIF DISTRIBUTION & ADMIN FEES	2% ADMIN EXPENSE
100	Telecom share of SIF Distribution, 2% & Admin Costs					\$15,539,475	\$648,330
101	Verizon SIF-Closed				\$6,641,947		
102	Speed Matters SIF	\$3,550,000	\$2,824,108	\$725,892			
102	Speed Matters SIF-Phase One-Closed				\$2,902,310		
103	Alcatel-Lucent-Closed				\$170,051		
104	Telecom Industry-Change Bdgt Allocation				\$3,489,636		
104	Telecom Industry-Closed						
105	Telecom Organizing Institutes-Closed				\$1,143,442		
106	Internal Organizing of Non-Members	\$670,000	\$323,740	\$346,260			
107	Windstream	\$303,000	\$283,688	\$19,312			
108	Customer Service Industry-Closed				\$897,445		
109	Satellite Television Industry (Dish)	\$168,000	\$75,490	\$92,510			
110	Class Action Vs. Verizon & Verizon FMLA (Phase 1 & 11)	\$1,333,000	\$660,663	\$672,337			
111	Fighting For Our Future At Frontier-Closed				\$171,511		
112	D2 Telecommunications & Action Plan-Closed				\$32,045		
113	Verizon 2011 Phase I & II-Closed				\$4,867,692		

		BUDGETED	EXPENSE	BALANCE	CLOSED	SIF DISTRIBUTION & ADMIN FEES	2% ADMIN EXPENSE
113	Verizon 2011-Closed				\$1,725,480		
114	District 9 Mobilizing -Closed				\$26,167		
115	D6 One AT&T-One Bargaining Unit-Closed				\$111,245		
116	District 1, 2 & 13 Retirees-Closed				\$37,882		
117	Building Power and Support at Comcast	\$51,199	\$19,223	\$31,976			
118	AT&T Education and Communication -Part One-Closed				\$1,269,701		
119	CenturyLink Bargaining	\$843,000	\$532,641	\$310,359			
120	District 3 Energize and Educate Members in Action-Closed				\$77,366		
122	AT&T ADA Reasonable Accommodation-Closed		\$0	\$0			
123	AT&T Fighting for the American Dream-Part Two	\$1,525,000	\$602,271	\$922,729			
124	Cablevision Corporate Campaign-Closed				\$103,225		
125	AT&T Education and Communication -Part One-Closed				\$383,709		
126	Verizon /Cable 2012	\$2,950,000	\$1,269,243	\$1,680,757			
127	Cable Organizing Project-Closed				383,486		
128	District 6 Verizon SIF	\$98,134	\$95,653	\$2,481			
129	ADT SIF-Closed				\$4,480		
130	California Public Utilities Commission	\$117,950	\$113,863	\$4,087			
131	Connecticut Deregulation	\$201,000	\$169,967	\$31,033			
132	Stop Avaya Outsourcing	\$136,204	\$90,837	\$45,367			
133	Qwest/CenturyLink Reasonable Accommodations	\$64,000	\$6,137	\$57,863			
134	AT&T Education & Communication – Phase II	\$1,400,000	\$98,673	\$1,301,327			
135	DEX Bargaining Mobilization SIF-District 7- Closed				\$1,776		
136	Telecom Deregulation in Pennsylvania	\$400,000	\$4,061	\$395,939			
137	District 9 Verizon West Bargaining SIF	\$363,820	\$39,088	\$324,732			
138	AT&T Mobility Bargaining (Orange)	\$1,865,000	\$219,611	\$1,645,389			
139	Alcatel-Lucent 2013 Bargaining-Closed				\$740		
140	District 213 Defeat Deregulation of Telephone Line-Sale in MD	\$200,000	\$26,958	\$173,042			
141	AT&T Southwest 2012-13 Bargaining Mobilization-District 6	\$1,550,000	\$282,436	\$1,267,564			
142	Customer Service Industry-Phase II	\$825,000	\$47,684	\$777,316			
143	T-Mobile	\$4,050,000	\$3,787,834	\$262,166			
144	Heat Stress Phase II	\$199,000	\$142,115	\$56,885			
145	Cablevision Organizing Project Phase III	\$218,500	\$39,165	\$179,335			
146	Frontier-Fighting for Our Future (formerly Project 111)	\$338,356	\$0.00	\$338,356			
147	New York Call Center Legislation	\$172,500	\$0.00	\$172,500			
148	New Jersey Call Center Legislation	\$262,500	\$0.00	\$262,500			
200	<b>Media share of SIF Distribution, 2% &amp; Admin Fee</b>					\$3,001,337	\$129,233

		BUDGETED	EXPENSE	BALANCE	CLOSED	SIF DISTRIBUTION & ADMIN FEES	2% ADMIN EXPENSE
201	Media News-Closed				\$935,601		
202	News Industry Jobs-Closed				\$380,252		
203	Canadian SIF-Closed				\$307,988		
204	PPMWS SIF	\$132,250	\$48,834	\$83,416			
205	The Role Of The Union In Media	\$306,000	\$282,252	\$23,748			
206	Growing News Media Membership	\$454,000	\$336,788	\$117,212			
207	CWA/SCA Canada Three Year Organizing	\$665,000	\$239,902	\$425,098			
208	California Media Training	\$59,424	\$6,576	\$52,848			
209	News Industry Video Training	\$300,000	\$258,827	\$41,173			
210	Canadian Broadcasting Corporation (CBC)-Closed				\$152,810		
211	District 9 TNG Interpreters Organizing Project	\$76,080	\$22,692	\$53,388			
300	<b>Public &amp; Health share of SIF Distribution, 2% &amp; Admin Fees</b>					1,246,386	\$58,138
301	Healthcare Workers-Closed				\$68,680		
302	Iowa Staff Nurses-Closed				\$115,328		
303	One Ohio Now	\$125,000	\$79,554	\$45,446			
304	Ohio Referendum-Closed				\$1,113,489		
305	Red Cross District 13 & 1	\$59,396	\$7,337	\$52,059			
306	District 1 Healthcare Workers Council-Closed				\$42,020		
307	District 1 Healthcare Workers Council II	\$394,945	\$217,570	\$177,375			
400	<b>Manufacturing share of SIF Distribution, 2% &amp; Admin Fees</b>					3,595,787	\$157,723
401	GE Lighting-Closed				\$196,550		
402	Lean/High Performance	\$1,413,000	\$893,453	\$519,547			
403	Green Jobs	\$1,182,500	\$1,079,759	\$102,741			
404	Automotive Bankruptcy	\$1,100,000	\$1,002,504	\$97,496			
405	Service Contract Act	\$450,000	\$140,784	\$309,216			
406	Manufacturing Organizing Training SIF	\$500,000	\$26,651	\$473,349			
500	Health Care For All	\$97,000	\$4,913	\$92,087			
500	Health Care For All-Phase 1&2 Closed				\$10,876,245		
501	Building A Political Movement Phase 1-Closed				\$4,054,922		
502	One Nation/Senate Rules-Closed				\$2,561,346		
503	Building A Political Movement Phase 2-Closed				\$5,328,598		
503	Building A Political Movement Phase 1-Closed				\$6,246,652		
504	CWA Political Engagement SIF-Closed				\$3,758,103		
505	CWA Next Generation SIF	\$465,000	\$184,644	\$280,356			
506	District 4 Fighting for Ohio Good Jobs & Strong Communities	\$545,000	\$448,639	\$96,361			

		BUDGETED	EXPENSE	BALANCE	CLOSED	SIF DISTRIBUTION & ADMIN FEES	2% ADMIN EXPENSE
507	Human Rights SIF-Closed				\$384,106		
508	Building a Political Movement (LPATIII)	\$6,020,000	\$60,236	\$5,959,764			
509	Human Rights SIF	\$876,000	\$7,500	\$868,500			
600	Employee Free Choice Act-Closed				\$5,815,495		
700	Financially Distressed Employers	\$677,490	\$711,593	\$(34,103)			
700	Financially Distressed Employers-Closed				\$856,689		
800	Passenger Service share of SIF Distribution, 2% & Admin Fees					\$293,759	\$26,312
801	US Airways/Piedmont Airlines Customer Service	\$235,000	\$323,530	\$(88,530)			
802	US Airways Passenger Service	\$164,500	\$27,358	\$137,142			
	<b>TOTALS</b>	<b>\$40,152,748</b>	<b>\$18,167,045</b>	<b>\$21,985,703</b>	<b>\$67,636,210</b>	<b>\$23,676,744</b>	<b>\$1,009,736</b>

TOTAL INCOME SINCE INCEPTION 06/06-3/13	\$142,103,547
TOTAL SIF OPEN EXPENSE 06/06-03/13	\$16,754,432
TOTAL SIF DISTRIBUTION TO LOCALS	\$11,720,858
TOTAL SIF DISTRIBUTION TO INTERNATIONAL	\$11,720,858
TOTAL 2% ADMINISTRATIVE EXPENSE	\$1,009,735
UNION-WIDE PROGRAMS EXPENSES OPEN/CLOSED	\$41,529,795
CLOSED EXPENSES 06/06-3/13	\$27,754,054
TOTAL SIF FUND BALANCE	\$31,613,815
ALLOCATED UNION-WIDE PROGRAMS BALANCE	\$7,170,878
ALLOCATED SIF BALANCE 06/06-3/13	\$14,814,826
UNALLOCATED SIF BALANCE	\$9,628,111

## SIF Campaign Successes

**Political Engagement** – CWA had one of its strongest election programs in 2012. We engaged a record number of volunteers, raised over \$500,000 in new PAF money and strengthened our LPAT structure in targeted states. We will continue to fight back against attacks on members' collective bargaining rights. We view the election as a huge success. The challenge continues, as we must hold the elected officials accountable for our issues.

**Piedmont Passenger Service Agents** – Over 4,000 passenger service agents at Piedmont have gained a voice in the workplace. The members were certified under the National Mediation Board in November 2010. They brought the negotiations to a successful close in May of 2012, the contract was overwhelming ratified.

There have been two CWA / Piedmont locals established. The activists continue to build membership, PAF monies and strengthen the overall movement building fight.



**Green Jobs** – The Manufacturing Division of CWA has trained 2% of the IUE membership. The Green Chemistry workshops have proved to be very successful. Joint projects took place at facilities in OH & WI that resulted in reduced energy usage of up to 18%. Sector President Jim Clark was recognized at the White House as a “Champion of Change.”

**Verizon** - As we all know, the 2011 round of Verizon East negotiations was very difficult. The negotiations lasted 16 months. The company proposed slashing 60 years of collective benefits and working conditions totaling \$1 billion. Some of the key issues included jobs, call sharing, health care, retirement security absences, job security and contract labor. There was a two-week strike in August 2011. The districts trained over 1,000 members, engaged community activists and partnered with Jobs with Justice. There were over 6,000 actions across the country during the dispute. Nearly 100 members were terminated for strike related activity. We were successful in returning all of the disciplined strikers with the exception of one (legal issue).

**Organizing Training** – The union successfully trained 300 members through organizing institutes. We have assigned many of the participants on campaigns as apprentice. We currently have members working on Cable-TV, American Airlines passenger service and Comcast of California. The union will continue to benefit from the investment made in training members to organize.

**Connecticut Deregulation** – CWA District 1 was successful in stopping SB 447, an act modernizing the state’s telecommunications laws. The state legislature’s bill would have completely deregulated voice telecommunications service and would have strip Connecticut residents of virtually all consumer protections.

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Our democracy is in a crisis. The needs of our nation’s working families and the labor movement are not being addressed. The effectiveness of organized labor is at a historic low. This is destroying our ability to maintain and improve our standard of living and restore a government of, by and for the people. We must search for ways to change the course of our movement and nation. Operating our union and the labor movement as we have in the past and expecting different results is the definition of insanity.

Therefore it is our view that a thorough review of how we run our union and relate to the larger community needs to be examined. We must find more effective ways of securing political and economic justice for all workers.

We must expand our circle of allies who share our values for a just society that offers economic and social fairness. The labor movement cannot do it alone. Religious, social justice, senior and youth groups, student activists and other community based organizations must be part of the struggle. If all of us do not do well, none of us do well.

The world has changed since we took collective action to establish the Members’ Relief Fund in 1991. Today we face new and different set of challenges that require us, once again, to take bold and decisive actions to keep our union strong.

## Recommendations for Consideration by the 74th CWA Convention

1. Roll the Defense Fund into the Strategic Industry Fund.
  - A. Existing monies currently in the Defense Fund will be distributed into the five existing silos (Telecom, Media, Manufacturing, Passenger Service, and Public/Health Care) and two new silos (one for Public Workers without the right to strike and one for AFA). Funds will be apportioned to the seven silos based on membership.
  - B. Locals whose membership pays into the MRF/SIF will no longer contribute \$0.50 per member, which will be retained by the local.
  - C. Locals whose membership does not pay into the MRF/SIF will continue to contribute \$0.50 per member. These monies will be directed into their respective silo each month.
  - D. SIF requests shall be submitted on a request form with an itemized budget similar to the one used for Defense Fund grants. The request must be reviewed and approved by majority vote of the Executive Board and the DFOC. Requests will be funded out of the appropriate silo(s).
  - E. Strike-related expenses that are now covered under the Defense Fund would be covered under the Members' Relief Fund. Members' Relief guidelines will be revised to incorporate relevant Defense Fund rules.
  - F. Defense Fund Oversight Committee responsibilities shall be expanded to include participation in the approval and evaluation of active SIF projects.
  - G. An additional half percent drawn from the SIF reserve shall be utilized to add a dedicated SIF project coordinator in Washington, DC, who would work with the Secretary-Treasurer and Defense Fund Oversight Committees to properly review, audit, manage, and evaluate projects.
2. Beginning with the annual investment earnings from the 2012 calendar year, and going forward, one half of annual investment earnings from the MRF will be invested in building CWA's ability to fight for economic justice for our members through a new silo under the Strategic Industry Fund. The Defense Fund Oversight Committee responsibilities shall be expanded to include participation, with the Executive Board in the approval and evaluation of requests submitted to this new SIF silo.
  - A. The remaining investment returns will continue to accrue to the MRF.
  - B. When the MRF reserves reach \$500 million, the floor shall be raised to \$400 million.
  - C. Should the MRF reserve fall below the current floor of \$377,494,108 all investment returns shall go to the MRF until it is above the floor.

This newly created CWA Growth silo will be used to support and enhance the union's movement building, organizing, leadership development, research, industry analysis and efforts to achieve economic justice, including the hiring of staff needed to provide resources for launching new and existing efforts.

3. The Members' Relief guidelines will be adjusted to add the following:

Commencing on the 57<sup>th</sup> day of a strike, \$400 per striker per week will be provided for use by the local for striker's assistance. (Subject to availability of funds)

The Secretary-Treasurer's Report on the union's financial issues also requires your careful review as well as discussions with other local leaders. We must make some bold decisions on the future of our union and commit resources to change the course of our movement. Establishment of the Strategic Industry Fund has allowed us to mobilize members and be proactive. It has been a success but we need to do more.

Respectfully Submitted,

The Defense Fund Oversight Committee

Terry Daly, District 1  
John Wills, District 2  
Richard Honeycutt, District 3  
Edwin Phillips, District 4  
James Allen, District 6  
Cecilia Valdez, District 7

Joan Gifford, District 9 – Vice Chair  
Sandy Kmetyk, District 13  
Arthur Cheliotas, Public Workers - Chair  
John Lewis, IUE-CWA  
Jeffrey Heisey, Airline Sector  
Bill O'Meara, Media Sector