

# **Biennial Report of the Defense Fund Oversight Committee**

**CWA**

**Communications Workers of America  
May 8-9, 2012  
Washington, DC**

## **Biennial Report of the Defense Fund Oversight Committee May 2012**

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 January 23-25, 2012 and May 8-9, 2012 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, 2012, the RLMRF had a value of \$421,474,000. This represents a \$7.4M or 1.8% increase over the fund's \$414,019,000 balance at March 31, 2011. 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, 2011 to March 31, 2012.

The Defense Fund had a balance of \$11,218,000 as of March 31, 2012, a \$2.6M or 18.9% decrease from its \$13,831,000 balance as of March 31, 2011. While the fund experienced \$4.1M in gains during the 12-month period, \$6.7M were distributed.

## THE ROBERT LILJA MEMBERS' RELIEF FUND

The balance of the RLMRF as of March 31, 2012 is **\$421,474,000**.

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, 2012 - they are:

<b>LOCAL</b>	<b>BALANCE @ 03/31/12</b>	<b>LOAN AMOUNT</b>
1040	\$ 600,389.67	\$ 1,206,000.00
1105	450,000.00	450,000.00
1107	164,566.79	200,000.00
1109	473,353.17	525,000.00
1133	887,733.39	1,000,000.00
2108	622,598.72	698,000.00
2222	128,250.50	261,000.00
3406	52,703.05	125,000.00
3407	12,022.55	25,000.00
4100	316,072.29	334,000.00
4103	69,274.32	70,000.00
4123	132,992.13	172,500.00
4340	917,906.29	1,100,000.00
4501	97,282.65	158,000.00
6222	3,852,580.46	4,000,000.00
7704	70,764.18	86,000.00
7708	168,664.44	265,000.00
7803	151,255.59	190,000.00
9003	870,000.00	870,000.00
9415	5,073.59	110,000.00
9423	900,366.48	906,216.15
9503	84,975.88	175,000.00
9509	787,879.90	850,000.00
<b>Total</b>	<b>\$11,816,706.04</b>	<b>\$13,776,716.15</b>

**THE ROBERT LILJA MEMBERS' RELIEF FUND EXPENDITURES  
APRIL 1, 2011 - MARCH 31, 2012**

**STRIKE RELATED:**

VERIZON STRIKE	\$13,463,200
LOCAL 81313 – GLENN PAINTER	\$ 35,000

**DEFENSE FUND**

The balance of the Defense Fund as of March 31, 2012 is **\$11,218,000**.

**DEFENSE FUND EXPENDITURES  
April 1, 2011 – March 31, 2012**

**STRIKE RELATED:**

VERIZON STRIKE	\$196,885
----------------	-----------

**Allocations and expenditures which were approved by  
the Executive Board and the Committee:**

Defense Fund Project / Local	Allocation	Amount Spent	Balance as of 03/31/12
WGBH Education Foundation Local 1300 (Renewed on 01/24/12)	\$50,340.00	\$42,310.83	\$8,029.17
KPFA Radio Local 9415 Oakland, CA	\$60,000.00	\$20,451.50	\$39,548.50
NABET-CWA Local 59054	\$50,000.00	\$15,521.45	\$34,478.55
TNG-CWA Local 31026	\$27,860.00	\$4,796.64	\$23,063.36
Verizon East	\$6,600,000.00	\$3,239,791.19	\$3,360,208.81
New Mexico State Workers	\$230,000.00	\$190,000.00	\$40,000.00
New Jersey State Workers	\$700,000.00	\$482,971.00	\$217,029.00
TNG Local 34070 Indianapolis Star	\$60,000.00	\$19,079.37	\$40,920.63
Atlantic Southeast Airline (ASA)	\$219,164.00	\$161,260.52	\$57,903.48
PPMWS Local 14170 New York Mailers	\$150,000.00	\$45,466.67	\$104,533.33
Mercy & St. Joseph Hospitals	\$433,000.00	\$0.00	\$433,000.00
Davis Vision IUE-CWA Local 81408	\$115,000.00	\$0.00	\$115,000.00
Northeast Ohio Newspaper Guild Local 34001	\$12,000.00	\$0.00	\$12,000.00
Vineland Development Local 1040	\$350,000.00	\$0.00	\$350,000.00
<b>TOTALS</b>	<b>\$9,057,364.00</b>	<b>\$4,221,649.17</b>	<b>\$4,835,714.83</b>

## STRATEGIC INDUSTRY FUNDS (SIF)

The balance of the Strategic Industry Fund as of March 31, 2012, is \$42,611,000.

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.

The campaigns operate with specific budgets and clear measurable benchmarks at six-month evaluations. We currently have **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 of almost \$6,000,000 were distributed to 790 Locals and almost \$6,000,000 to the International. The breakdown by industry is listed below.

### SIF BUDGET AS OF 3/31/12

		BUDGETED	EXPENSE	BALANCE	CLOSED	SIF DISTRIBUTION	2% ADMN EXPENSE
100	Telecom share of SIF Distribution					\$7,668,206	
	Telecom share of 2% Administration Expense						\$175,587
101	Verizon SIF-Closed				\$6,641,947		
102	Speed Matters SIF	\$3,550,000	\$2,436,992	\$1,113,008			
102	Speed Matters SIF-Phase One-Closed				\$2,902,310		
103	Alcatel-Lucent-Closed				\$170,051		
104	Telecom Industry	\$4,428,267	\$3,045,245	\$1,383,022			
104	Telecom Industry-Closed				\$2,433,365		
105	Telecom Organizing Institutes	\$1,075,000	\$513,764	\$561,236			
106	Internal Organizing of Non-Members	\$1,000,000	\$264,806	\$735,194			
107	Windstream	\$271,000	\$234,892	\$36,108			
108	Customer Service Industry	\$1,010,000	\$654,422	\$355,558			
109	Satellite Television Industry (Dish)	\$530,000	\$74,286	\$455,714			
110	Class Action Vs. Verizon (Phase 1)	\$843,000	\$586,188	\$256,812			
110	Verizon FMLA SIF (Phase II)	\$490,000	\$0	\$490,000			
111	Fighting For Our Future At Frontier	\$590,000	\$115,152	\$474,848			
112	D2 Telecommunications & Action Plan	\$340,000	\$32,045	\$307,955			

		BUDGETED	EXPENSE	BALANCE	CLOSED	SIF DISTRIBUTION	2% ADMN EXPENSE
113	<b>Verizon 2011 Phase I &amp; II-Closed</b>				\$2,818,572		
113	Verizon 2011	\$3,150,000	\$1,575,394	\$1,574,606			
114	<b>District 9 Mobilizing -Closed</b>	\$47,750	\$26,167	\$21,583			
115	D6 One AT&T-One Bargaining Unit	\$386,195	\$106,661	\$279,534			
116	District 1, 2 & 13 Retirees	\$210,000	\$37,882	\$172,118			
117	Building Power and Support at Comcast	\$51,199	\$13,137	\$38,062			
118	AT&T Education and Communication -Part One	\$1,480,000	\$762,592	\$717,408			
119	CenturyLink Bargaining	\$843,000	\$89,077	\$753,923			
120	District 3 Energize and Educate Members in Action	\$604,400	\$17,451	\$586,949			
122	AT&T ADA Reasonable Accommodation	\$63,500	\$0	\$63,500			
123	AT&T Fighting for the American Dream-Part Two	\$1,525,000	\$68,881	\$1,456,119			
124	Cablevision Corporate Campaign	\$89,500	\$86,745	\$2,755			
125	AT&T Education and Communication -Part One	\$802,500	\$0	\$802,500			
126	Verizon /Cable 2012	\$801,500	\$0	\$801,500			
127	Cable Organizing Project	\$277,100	\$0	\$277,100			
200	<b>Media share of SIF Distribution</b>					\$1,515,169	
	<b>Media share of 2% Administration Expense</b>						\$15,984
201	<b>Media News-Closed</b>				\$935,601		
202	News Industry Jobs	\$300,000	\$380,252	-\$80,252			
203	<b>Canadian SIF-Closed</b>				\$242,450		
204	PPMWS SIF	\$132,250	\$48,319	\$83,931			
205	The Role Of The Union In Media	\$306,000	\$234,710	\$71,290			
206	Growing News Media Membership	\$454,000	\$202,426	\$251,574			
207	CWA/SCA Canada Three Year Organizing	\$665,000	\$64,581	\$600,419			
208	California Media Training	\$66,000	\$6,576	\$59,424			
209	News Industry Video Training	\$300,000	\$114,265	\$185,735			
210	Canadian Broadcasting Corporation (CBC)	\$150,000	\$0	\$150,000			
300	<b>Public &amp; Health share of SIF Distribution</b>					\$579,880	
	<b>Public &amp; Health share of 2% Administration Expense</b>						\$7,943
301	<b>Healthcare Workers-Closed</b>			\$0	\$68,680		
302	Iowa Staff Nurses	\$125,000	\$112,959	\$12,041			
303	One Ohio Now	\$125,000	\$54,291	\$70,709			
304	Ohio Referendum	\$1,570,000	\$1,113,489	\$456,511			
305	Red Cross District 13 & 1	\$59,396	\$7,115	\$52,281			
306	District 1 Healthcare Workers Council-Closed	\$488,645	\$42,020	\$446,625			
400	<b>Manufacturing share of SIF Distribution</b>					\$1,784,065	

		BUDGETED	EXPENSE	BALANCE	CLOSED	SIF DISTRIBUTION	2% ADMN EXPENSE
	<b>Manufacturing share of 2% Administration Expense</b>						\$25,439
401	GE Lighting	\$360,500	\$196,550	\$163,950			
402	Lean/High Performance	\$1,413,000	\$805,755	\$607,245			
403	Green Jobs	\$1,182,500	\$684,167	\$498,333			
404	Automotive Bankruptcy	\$1,100,000	\$952,168	\$147,832			
405	Service Contract Act	\$450,000	\$91,499	\$358,501			
406	Manufacturing Organizing Training SIF	\$500,000	\$0	\$500,000			
500	Health Care For All	\$493,750	\$296,969	\$196,781			
500	Health Care For All-Phase 1&2 Closed				\$10,955,893		
501	<b>Building A Political Movement Phase 1-Closed</b>	\$0		\$0	\$4,054,922		
502	<b>One Nation/Senate Rules-Closed</b>	\$0		\$0	\$2,561,347		
503	Building A Political Movement Phase 2	\$5,955,014	\$771,614	\$5,183,400			
503	<b>Building A Political Movement Phase 1-Closed</b>			\$0	\$6,246,652		
504	CWA Political Engagement SIF	\$3,880,513	\$902,636	\$2,977,877			
505	CWA Next Generation SIF	\$465,000	\$0	\$465,000			
600	Employee Free Choice Act			\$0			
600	<b>Employee Free Choice Act-Closed</b>			\$0	\$5,815,495		
700	Financially Distressed Employers	\$677,490	\$241,334	\$436,156			
700	<b>Financially Distressed Employers-Closed</b>				\$874,784		
800	<b>Passenger Service share of SIF Distribution</b>					\$143,801	
	<b>Passenger Service share of 2% Administration Expense</b>						\$2,197
801	USAirways/Piedmont Airlines Customer Service	\$235,000	\$110,564	\$124,436			
802	US Airways Passenger Service	\$164,500	\$5,206	\$159,294			
	<b>TOTALS</b>	<b>\$46,077,469</b>	<b>\$18,181,243</b>	<b>\$27,896,206</b>	<b>\$46,722,069</b>	<b>\$11,691,120</b>	<b>\$227,151</b>

<b>TOTAL INCOME</b>	<b>\$121,016,132</b>
<b>TOTAL SIF OPEN EXPENSE 06/06-03/12</b>	<b>\$18,181,243</b>
<b>TOTAL SIF DISTRIBUTION TO LOCALS</b>	<b>\$5,845,560</b>
<b>TOTAL SIF DISTRIBUTION TO INTERNATIONAL</b>	<b>\$5,845,560</b>
<b>TOTAL 2% ADMINISTRATIVE EXPENSE</b>	<b>\$227,151</b>
<b>CLOSED EXPENSES 06/06-3/12</b>	<b>\$46,722,069</b>
<b>TOTAL SIF FUND BALANCE</b>	<b>\$44,194,549</b>
<b>ALLOCATED SIF BALANCE 06/06-3/12</b>	<b>\$27,896,206</b>
<b>UNALLOCATED SIF BALANCE</b>	<b>\$16,298,343</b>

## SIF Campaign Successes

**\*Distressed Employers** – CWA established the Financially Distressed Employers SIF in January, 2009. During the course of the SIF, a total of eighteen CWA employers entered into bankruptcy. To date, a total of sixteen of these employers have emerged from bankruptcy. This SIF was instrumental in securing CWA with seats on eight unsecured creditors committees. This was vital in protecting the interests of our members. The SIF continues to monitor CWA employers who are undergoing financial distress and provide critical technical resources in efforts to protect our members' interests.

**\*Green jobs** - Using IUE-CWA's Green Jobs SIF, we started a joint project with the Environmental Defense Fund to train union members to identify energy efficiency opportunities that improve environmental performance and the competitiveness of manufacturing plants. The effort has resulted in an average annual savings of \$97,500 for our facilities. In April, the Obama Administration recognized the innovative program by naming IUE-CWA President James D. Clark a "Champion of Change for Corporate Environmental Responsibility" at a White House event.

**\*LPAT** – The LPAT SIF was very critical in strengthening the Legislative and Political programs of CWA. By providing resources to growing and Strengthening LPATs around the country, we have dramatically increased the union's political visibility not only in Washington, DC among critical decision makers in the Congress, but in the broader progressive community and grassroots activists all around the country.

Considering that the political environment in Washington and in the states is difficult, we have been able to break through on issues important to our members - especially in state legislative battles. Because of the key work in developing grassroots LPAT leaders in many locals, we have started to create the infrastructure that allowed us to beat back efforts at telecom deregulation in NY, NJ, MD, CO and Kentucky. The NJ Assembly and the Florida Senate passed bills to punish employers that offshore call center work. In Maryland, the legislature passed a CWA bill requiring companies' off-shoring work be kept on a list of corporate off-shorers, maintained by the state.

We have now become one of the most vocal unions in DC through our grassroots involvement in contacting Congress. In the past year alone, we have responded to the Colombia Trade Agreement, National Mediation Board, HR 3094 (NLRB), HR 3596 Off-shoring Call Center Bill, and a demand for a fix for Citizens United, along with a number of state specific initiatives. All told, more than 10,000 calls, close to 1,600 Officer letters, over 4,500 hand-written activist letters, in addition to tens of thousands of e-activist messages to Congress.

**\*Customer Service** - The Call Center/Customer Service SIF has played an important role in raising awareness of the threats associated with the off shoring of call center work. We were able to compile



a comprehensive report that detailed the "horror stories" associated with the off shoring of call center work - including ID theft of US consumers, fraud and extortion as well as the risk of subcontracting the work from the Philippines and India to even more unstable countries like Egypt and Morocco. The work has also led to the strong support of HR 2596 in the US Congress which would penalize companies that offshore call center work and allow for consumers to choose to be transferred to a US based call center location.

The DFOC believes that the labor movement and our democracy are in crisis. The effectiveness of organized labor is at an historic low. This is destroying our ability to deliver a better standard of living and maintain 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 we believe 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 can do well.*

We recommend Local leaders review the Union's publication ***Building A Movement For Economic Justice And Democracy***, so we can understand the economic conditions facing all workers and why we cannot survive unless we commit ourselves to taking back our nation. The information in the booklet must be shared with our rank and file. It will require a substantial commitment of resources from every part of our union.

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  
Andrew Gifford, District 3  
Edwin Phillips, District 4  
James Allen, District 6

Joan Gifford, District 9 – Vice Chair  
Sandy Kmetyk, District 13  
Arthur Cheliotos, Public Workers - Chair  
John Lewis, IUE-CWA  
Jane Compton, Alt. AFA-CWA

Cecilia Valdez, District 7

Bill O'Meara, TNG-CWA