

NPF Employee Group Insurance Plan

Financial Statements
March 31, 2016



January 27, 2017

Independent Auditor's Report

To the Non-Public Property Board

We have audited the accompanying financial statements of NPF Employee Group Insurance Plan, which comprise the statement of financial position as at March 31, 2016 and the statement of operations and surplus for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the NPF Employee Group Insurance Plan as at March 31, 2016 and the results of its operations and surplus for the year then ended in accordance with Canadian accounting standards for pension plans.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

NPF Employee Group Insurance Plan

Statement of Financial Position

As at March 31, 2016

	2016 \$	2015 \$
Assets		
Current assets		
Deposit with Canadian Forces Central Fund	<u>1,139,655</u>	<u>744,828</u>
Liabilities and Surplus		
Current liabilities		
Accounts payable and accrued liabilities	199,166	163,355
Group life waiver (note 4)	10,014	11,104
Claims incurred but not reported	<u>254,202</u>	<u>226,363</u>
	463,382	400,822
Surplus (note 5)	<u>676,273</u>	<u>344,006</u>
	<u>1,139,655</u>	<u>744,828</u>

Approved on behalf of the NPP Board



Shirley Tang-Jassemi, Chief Financial Officer

The accompanying notes are an integral part of these financial statements.

NPF Employee Group Insurance Plan

Statement of Operations and Surplus

For the year ended March 31, 2016

	2016 \$	2015 \$
Income		
Employee/employer contributions	8,795,469	7,722,499
Interest and other income	41,030	13,024
Employer contributions for <i>Government Employees Compensation Act</i>	987,975	1,408,482
	<hr/> 9,824,474	<hr/> 9,144,005
Expense		
Premiums paid	8,800,777	7,499,711
<i>Government Employees Compensation Act</i>	680,622	637,581
Professional fees and general	10,808	16,747
	<hr/> 9,492,207	<hr/> 8,154,039
Net income for the year	332,267	989,966
Surplus (deficit) - Beginning of year	344,006	(645,960)
Surplus - End of year	<hr/> 676,273	<hr/> 344,006

The accompanying notes are an integral part of these financial statements.

NPF Employee Group Insurance Plan

Notes to Financial Statements

March 31, 2016

1 Description of Plan

The Non-Public Funds (NPF) Employee Group Insurance Plan ("the Plan") provides health, dental, long-term disability (LTD) and employer sponsored life insurance to full time NPF/Canadian Forces Morale and Welfare Services (CFMWS (NPF)) employees. Full time employees are required to participate except where exemptions are specified. The Plan is funded by employee and employer contributions.

All rights with respect to a covered person are governed solely by the group contracts issued by the insurance carriers to the Chief of the Defence Staff operating under section 38 of the *National Defence Act*. Services with respect to hospital, major medical and dental benefits as well as long-term disability and basic life insurance are provided on a cross experience rated refund basis. Services with respect to optional life insurance are provided on a pooled non-refund basis. Services with respect to long-term disability and life insurance are underwritten and insured by the Great West Life Assurance Company. Services with respect to accidental death and dismemberment and global medical are underwritten by the AIG Insurance Company of Canada. Sick leave benefits are self-insured by CFMWS.

2 Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for pension plans. They present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsors and plan members. The financial statements are prepared to assist plan members and others in reviewing the activities of the Plan for the fiscal period.

Accounting standards for pension plans require entities to select accounting policies for accounts that do not relate to its deposit with the Canadian Forces Central Fund in accordance with either International Financial Reporting Standards (IFRS) or Canadian accounting standards for private enterprises (ASPE). Management selected ASPE for such accounts on a consistent basis and to the extent that these standards do not conflict with the requirements of the accounting standards for pension plans.

Employee and employer contributions (premiums)

Employee and employer contributions are the amount of premiums that are reviewed and negotiated by the insurer and CFMWS (NPF) and ultimately approved by CFMWS (NPF). These premiums are the anticipated cash expenses to be incurred in the upcoming 12-month period. The premiums include amounts collected on an experience rated basis to reimburse the insurer for prior years' deficits, if applicable, and those to fund current and subsequent years' costs. These premiums are paid in advance for the following month.

Claims incurred but not reported

The Plan does not include an amount for health and dental claims incurred but not reported by policy holders to the insurer by the end of the policy period. These amounts, on termination, are the direct responsibility of the Plan. This provision is estimated by an actuarial formula on an annual basis.

NPF Employee Group Insurance Plan

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Government Employees Compensation Act (GECA)

Since January 1, 2010, the employer's contribution to GECA premiums is based on 0.6% of salaries. In 2015, an additional contribution was made to employer contributions for GECA in the amount of \$460,383 from Public Funds under the discretion of management.

Services provided without charge

CFMWS provides administrative services to the Plan. As the amount is not significant, these services are not recognized in the financial statements.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Management makes accounting estimates when determining the Plan's accrued liabilities and claims incurred but not reported. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary they are recognized in the financial statements in the period they become known.

3 Financial instruments

The Plan's financial instruments consist of deposits with Canadian Forces Central Fund and accounts payable and accrued liabilities. The fair value of these amounts approximates their carrying values due to their short-term nature.

Unless otherwise noted, it is management's opinion that the Plan is not exposed to significant credit, liquidity or market risks arising from these financial instruments.

4 Group life waiver

In 1987, a decision was made to discontinue the Premium Waiver provision of the life insurance policy. This provision was replaced by an agreement whereby the CFMWS (NPF) would continue to pay the premiums on behalf of these members. CFMWS (NPF) established a provision to protect the Staff of the Non-Public Fund, Canadian Forces, against the increased risk of insurance payouts on this group of members based upon their increased mortality and morbidity rates. This agreement covers all employees who commenced LTD benefits between March 1, 1987 and February 29, 2000. The Premium Waiver provision was reinstated effective March 1, 2000 and the Group Life Waiver will eventually be eliminated as these members retire or terminate LTD benefits.

NPF Employee Group Insurance Plan

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5 Surplus

The surplus (deficit) is comprised of the following.

	2016 \$	2015 \$
Reserve LTD	378,666	376,014
Deficit Dental	(242,476)	(241,924)
Deficit Medical	(291,218)	(298,502)
Reserve Group Life	22,851	37,730
Deficit Group Life Waiver	(10,014)	(11,104)
	<hr/>	<hr/>
	(142,191)	(137,786)
Reserve GECA	818,464	481,792
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	676,273	344,006
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