

FINANCIAL STATEMENTS
For
NPF EMPLOYEE GROUP INSURANCE PLAN
For year ended
MARCH 31, 2014

INDEPENDENT AUDITOR'S REPORT

To the Non-Public Property Board

We have audited the accompanying financial statements of the NPF Employee Group Insurance Plan, which comprise the statement of financial position as at March 31, 2014 and the statements of operations and deficit for the year then ended, and 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.

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, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for pension plans.



Chartered Accountants
Licensed Public Accountants

Ottawa, Ontario
October 10, 2014.

NPF EMPLOYEE GROUP INSURANCE PLAN
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2014

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Deposit with Canadian Forces Central Fund	\$ 51,398	\$ 427,189
<u>LIABILITIES AND DEFICIT</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 296,571	\$ 497,282
Group life waiver (note 4)	13,273	20,243
Claims incurred but not reported	<u>387,514</u>	<u>387,219</u>
	697,358	904,744
DEFICIT (note 5)	<u>(645,960)</u>	<u>(477,555)</u>
	<u>\$ 51,398</u>	<u>\$ 427,189</u>

Approved:



Shirley Tang-Jassemi
Chief Financial Officer
Chef des services financiers
613-996-5797

(See accompanying notes)

**NPF EMPLOYEE GROUP INSURANCE PLAN
STATEMENT OF OPERATIONS AND DEFICIT
YEAR ENDED MARCH 31, 2014**

	<u>2014</u>	<u>2013</u>
Income		
Employee/employer contributions	\$ 7,453,629	\$ 7,463,140
Interest and other income	16,968	24,580
Employer contributions for Government Employees Compensation Act	<u>839,483</u>	<u>856,155</u>
	<u>8,310,080</u>	<u>8,343,875</u>
Expenses		
Premiums paid	7,457,986	7,477,061
Government Employees Compensation Act	1,012,712	796,542
Professional fees and general	7,492	12,608
Claims incurred but not reported	<u>295</u>	<u>14,398</u>
	<u>8,478,485</u>	<u>8,300,609</u>
Net income (expense)	(168,405)	43,266
Deficit at beginning of year	<u>(477,555)</u>	<u>(520,821)</u>
Deficit at end of year	<u>\$ (645,960)</u>	<u>\$ (477,555)</u>

(See accompanying notes)

NPF EMPLOYEE GROUP INSURANCE PLAN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

1. DESCRIPTION OF PLAN

The Non-Public Funds (NPF) Employee Group Insurance Plan provides health, dental, long-term disability 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 twelve 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 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.

Government Employees Compensation Act (GECA)

Since January 1, 2010, the employer's contribution to GECA premiums is based on 0.6% of salaries.

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.

NPF EMPLOYEE GROUP INSURANCE PLAN
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

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 deposit 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.

5. DEFICIT

The deficit is comprised of the following:

	<u>2014</u>	<u>2013</u>
Reserve LTD	\$ 352,209	\$ 335,795
Deficit Dental	(264,456)	(253,376)
Deficit Medical	(460,533)	(450,576)
Reserve Group Life	33,089	34,537
Group Life Waiver	<u>(13,273)</u>	<u>(20,243)</u>
Sub-total	(352,964)	(353,863)
Deficit GECA	<u>(292,996)</u>	<u>(123,692)</u>
Total	<u>\$ (645,960)</u>	<u>\$ (477,555)</u>