

FINANCIAL STATEMENTS
For
NPF EMPLOYEE GROUP INSURANCE PLAN
For year ended
MARCH 31, 2010

AUDITORS' REPORT

To the Non-Public Property Board

NPF EMPLOYEE GROUP INSURANCE PLAN

We have audited the statement of financial position of the NPF Employee Group Insurance Plan as at March 31, 2010 and the statement of operations and deficit for the year then ended. These financial statements are the responsibility of the Plan's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at March 31, 2010 and the changes in its deficit and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants

Ottawa, Ontario
May 28, 2010.

**NPF EMPLOYEE GROUP INSURANCE PLAN
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2010**

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Deposit with Canadian Forces Central Fund	\$ -	\$ 593,724
<u>LIABILITIES AND DEFICIT</u>		
CURRENT LIABILITIES		
Advances from Canadian Forces Central Fund (note 4)	\$ 78,554	\$ -
Accounts payable and accrued liabilities	204,747	333,766
Group life waiver (note 5)	59,117	57,315
Claims incurred but not reported	<u>335,466</u>	<u>264,021</u>
	677,884	655,102
DEFICIT (note 6)	<u>(677,884)</u>	<u>(61,378)</u>
	\$ -	\$ 593,724

Signed:

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(See accompanying notes)

**NPF EMPLOYEE GROUP INSURANCE PLAN
STATEMENT OF OPERATIONS AND DEFICIT
YEAR ENDED MARCH 31, 2010**

	<u>2010</u>	<u>2009</u>
Income		
Employee/employer contributions	\$ 7,019,035	\$ 5,577,985
Interest and other income	13,357	29,069
Employer contributions for Government Employees Compensation Act	<u>319,147</u>	<u>141,000</u>
	<u>7,351,539</u>	<u>5,748,054</u>
Expenses		
Premiums paid	7,090,503	5,657,256
Government Employees Compensation Act	794,364	604,940
Professional fees and general	11,733	17,591
Claims incurred but not reported	<u>71,445</u>	<u>28,609</u>
	<u>7,968,045</u>	<u>6,308,396</u>
Net expense	(616,506)	(560,342)
Reserves (deficit) available for future claims at beginning of year	<u>(61,378)</u>	<u>498,964</u>
Deficit at end of year	\$ <u>(677,884)</u>	\$ <u>(61,378)</u>

(See accompanying notes)

NPF EMPLOYEE GROUP INSURANCE PLAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2010

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 Personnel and Family Support Services ("CFPFSS(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 are provided on an administrative basis only. Services with respect to life insurance and long-term disability are underwritten and insured by Great-West Life Assurance Company. Services with respect to accidental death and dismemberment and global medical are underwritten by Globe International. Sick leave benefits are self insured by CFPFSS(NPF).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Employee and employer contributions (Premiums)

Employee and employer contributions are the amount of premiums estimated and requested by the insurer to meet cash expenses anticipated 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 group Plan does not include an amount for claims incurred by policyholders but not reported 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)

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

Services provided without charge

Canadian Forces Personnel and Family Support Services 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 generally accepted accounting principles 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. Actual results could differ from those estimates.

NPF EMPLOYEE GROUP INSURANCE PLAN
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2010

3. FINANCIAL INSTRUMENTS

The Plan's financial instruments consist of the advances from the 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.

4. ADVANCES FROM CANADIAN FORCES CENTRAL FUND ("CFCF")

The advances from CFCF represent amounts advanced by CFCF to fund the cash deficiencies of the Plan. The advances are non-interest bearing and are to be repaid during the 2011 fiscal year-end. CFCF and CFPFSS both operate under the authority of the Chief of the Defence staff in his Non-Public Property (NPP) capacity. Responsibility for directing the affairs of CFCF and CFPFSS rests with the NPP Board.

5. 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 CFPFSS (NPF) would continue to pay the premiums on behalf of these members. CFPFSS (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 clause was reinstated effective March 1, 2000 and will eventually be eliminated as these members retire or terminate LTD benefits.

6. DEFICIT

The deficit is comprised of the following:

	<u>2010</u>	<u>2009</u>
Reserve LTD	\$ 275,489	\$ 270,680
Deficit Dental	(257,882)	(234,170)
Deficit Medical	(425,594)	(351,670)
Reserve Group Life	32,874	86,645
Group Life Waiver	<u>(59,117)</u>	<u>(57,315)</u>
Sub-total	(434,230)	(285,830)
Reserve GECA	<u>(243,654)</u>	<u>224,452</u>
Total	<u>\$ (677,884)</u>	<u>\$ (61,378)</u>

In January 2010, management implemented an increase in the employer's contribution for GECA premiums by 0.6% for each dollar spent on salary as well as new employer premiums for accidental death and dismemberment. With these additional premiums, management anticipates 2011 fiscal contributions for GECA to increase by approximately \$600,000. In addition, management is currently evaluating a lump-sum payment by the employer to the Plan to ensure adequate funding for the 2012 fiscal year-end.

7. STATEMENT OF CASH FLOWS

A statement of cash flows has not been provided as information about significant funding and investing activities is readily available from other financial statements.