

NPF Employee Group Insurance Plan

Financial Statements
March 31, 2018



October 10, 2018

Independent Auditor's Report

To the Non-Public Property Board

We have audited the accompanying financial statements of NPF Employee Group Insurance Plan (the Plan), which comprise the statement of financial position as at March 31, 2018 and the statement of income and surplus for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management in accordance with the financial reporting provisions of the Plan as described in note 2 to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Plan 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.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of NPF Employee Group Insurance Plan as at March 31, 2018 and the results of its operations and surplus for the year then ended in accordance with the financial reporting provisions of the Plan as described in note 2 to the financial statements.

Basis of accounting and restriction on use

Without modifying our opinion, we draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared solely to assist the Chief of Defence Staff and the Plan members in reviewing the activities of the Plan. As a result, the financial statements may not be suitable for another purpose.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

NPF Employee Group Insurance Plan

Statement of Financial Position

As at March 31, 2018

	2018 \$	2017 \$
Assets		
Current assets		
Deposit with Canadian Forces Central Fund	2,230,925	1,653,662
Accounts receivable	1,244	1,711
	<u>2,232,169</u>	<u>1,655,373</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	226,415	196,503
Group life waiver (note 4)	6,725	8,399
Claims incurred but not reported	304,174	284,350
	<u>537,314</u>	<u>489,252</u>
Surplus (note 5)	<u>1,694,855</u>	<u>1,166,121</u>
	<u>2,232,169</u>	<u>1,655,373</u>

Approved on Behalf of the Non-Public Property 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 Income and Surplus

For the year ended March 31, 2018

	2018 \$	2017 \$
Income		
Employee/employer contributions	10,446,227	9,567,356
Interest and other income	76,458	46,260
Employer contributions for Government Employees Compensation Act	1,073,062	1,033,300
	<hr/> 11,595,747	<hr/> 10,646,916
Expense		
Premiums paid	10,307,678	9,457,630
Government Employees Compensation Act	739,392	689,667
Professional fees and general	19,943	9,771
	<hr/> 11,067,013	<hr/> 10,157,068
Net income for the year	528,734	489,848
Surplus - Beginning of year	<hr/> 1,166,121	<hr/> 676,273
Surplus - End of year	<hr/> 1,694,855	<hr/> 1,166,121

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

NPF Employee Group Insurance Plan

Notes to Financial Statements

March 31, 2018

1 Description of Plan and basis of presentation

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 an insured cross experience rated refund basis. Services with respect to optional life insurance are provided on a pooled non-refund basis. Services with respect to health-care, dental care, 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.

Basis of presentation

These financial statements have been prepared in accordance with the significant accounting policies set out in note 2 in order to support the financial reporting requirements of the Plan. These financial statements present the information of the Plan as a separate reporting entity independent of the sponsor and participants. The financial statements are prepared to assist the Chief of Defence Staff, plan members and others in reviewing the activities of the Plan for the fiscal period.

2 Summary of significant accounting policies

Employee and employer contributions

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

Notes to Financial Statements

March 31, 2018

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.

Use of estimates

The preparation of financial statements in conformity with the significant accounting policies set out in note 2 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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 those estimates. The 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 on 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

Notes to Financial Statements

March 31, 2018

5 Surplus

The surplus is comprised of the following:

	2018	2017
	\$	\$
Reserve LTD	554,796	482,336
Deficit dental	(240,512)	(256,089)
Deficit medical	(291,190)	(315,909)
Reserve Group Life	86,935	64,506
Deficit Group Life Waiver	(6,725)	(8,399)
	<hr/>	<hr/>
	103,304	(33,555)
Reserve GECA	1,591,551	1,199,676
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	1,694,855	1,166,121