



The Canadian Forces Non-Public Funds Employees Pension Plan is an important part of our total compensation package, and ensuring that our employees have a reliable source of income for retirement is a priority for us. In our efforts to keep members informed of the health of the pension plan, we are pleased to present the results of our plan's performance.

This report also provides an update on the ongoing pension plan review process and when you can expect additional information regarding changes to the plan. As ever, we remain committed to providing Staff of the Non-Public Funds employees and retirees with a sustainable defined benefit pension plan.

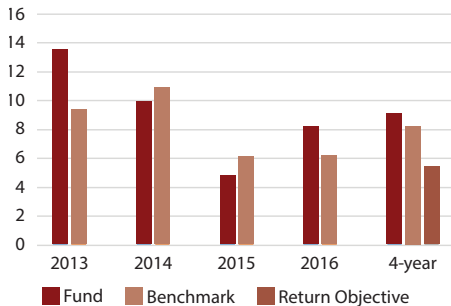
Commodore Sean Cantelon,  
CEO, Staff of the Non-Public Funds, Canadian Forces

### Investment Results

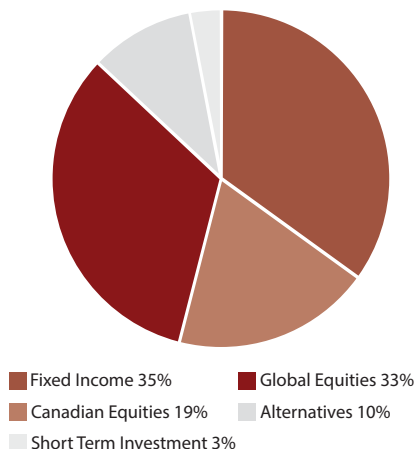
2016 Net Rate of Return: 8.18%

2015 Net Rate of Return: 4.78%

### Pension Investment Performance

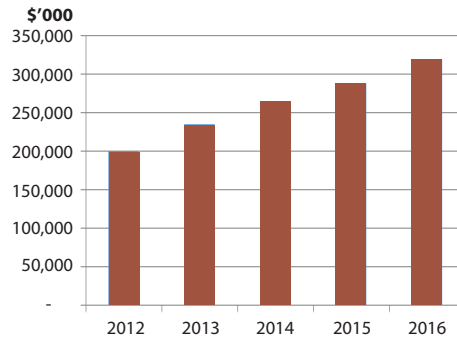


### Investment Allocation (current as of end 2016)

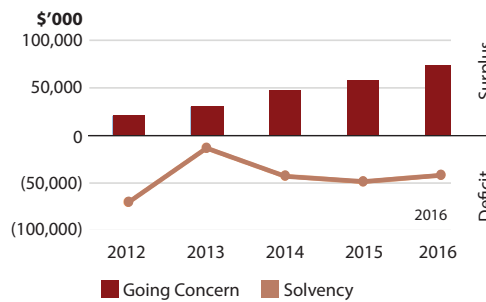


### Plan Funding

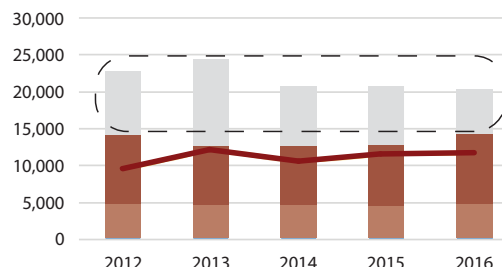
#### Net Assets (\$ Thousands)



#### Annual Valuation

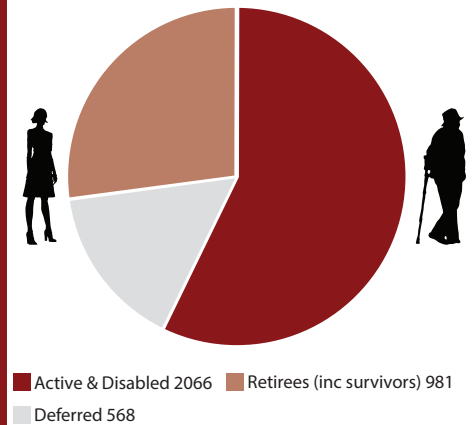


### Contribution vs Pension Benefit Payments



### Membership

Average age of active member = 44.5 yrs  
Average age of retiree = 71.8 yrs



#### Going Concern explained:

If the pension plan continued indefinitely, it would be able to pay for plan members' pensions as they retire over time. This shows that our plan is in good health.

#### Solvency deficit explained:

If the pension plan closed tomorrow, it would not be able to pay all of the benefits it owes to the plan's members. From this perspective, we are in a deficit and the employer continues to make deficit payments each year.

Since 2012, while the employee contribution has remained the same, the employer made \$42.5M additional (special solvency) deficit payments to ensure solvency of the plan.

Legend:  
 - Employer Contributions - Special Solvency  
 - Employer Contributions - Regular  
 - Employee Contributions  
 - Total Pension Benefit Payments (including refunds)

## Changes to the pension plan are on the horizon.

Despite several systemic issues that have placed pressure on most Canadian pension plans, including low interest rates and investment returns in the Canadian and global economies, our pension plan remains strong and is well-positioned for success going forward. However, for several years now Staff of the Non-Public Funds, Canadian Forces has been required to “top up” the plan, costing the organization millions of extra dollars. This is no longer sustainable, and in order to guarantee the long-term health of the pension plan, certain changes must now be undertaken. Over the last 12 months, the Pension Board has been actively studying options to ensure our Defined Benefit Plan is sustainable.

### Drivers for Change

- Pension solvency requirements introduced in 1987
- NPF plan first faced solvency deficit in 2001
  - Special payments totalled \$5.3M over period 2002 - 2006
- NPF plan next faced solvency deficit in 2009 and remains in deficit. While the employee contribution has remained the same, the employer made deficit payments to ensure solvency of the plan.
  - Special payments totalled \$42.5M for period 2010 - 2015
  - Plus an additional \$13.6M in special payments for 2016 and 2017
- Due to NPF funding structure, the Department of National Defence funds approximately 50% of pension normal costs and special payments
- 2011 - Concerns over ongoing and escalating pension costs
  - Canadian Forces Central Fund (CFCF) funds being depleted by solvency payments
- 2012 - Action plan suggested by Vice-Chief of the Defence Staff
- 2012 - 2014 - Expectation of re-bounding interest rates to alleviate solvency and funding pressures
- 2015 - Asset-liability modeling study indicated probability of 10-yr continuation of solvency deficit
  - Pension Review initiated by Non-Public Fund Pension Board

*“We are proud of where our plan is going and confident about where it will be in the years to come. We look forward to continuing to represent the best interests of our members as we plan for a secure tomorrow.”*

**Mike Ward, NPF Pension Board Chair**

### On the Road for Change

- **August 2015:**  
Review of Pension Plan funding options
- **December 2016:**  
Plan design analysis
- **February 2017:**  
Strategic review of long-term impact
- **April 2017:**  
Results presented to Pension Board
- **July 2017:**  
Conducted focus groups at 5 Bases/Wing to obtain feedback from employees on their values and plans for retirement
- **September 2017:**  
Recommendation presented to Non-Public Property Board
- **Week of January 22, 2018:**  
Pension Plan changes to be announced! ★
- **February – July 2019:**  
Ongoing communication, education and information regarding the changes
- **July 2019:**  
Pension plan changes come into effect

*\*It's important to note that the changes will apply on a go-forward basis only. Regardless of a member's retirement date, the benefit for all service earned before July 2019, and ongoing pension payments to retirees will remain unchanged.*

### Keeping track of plan members.....

To ensure you're receiving information about your pension plan, please ensure your mailing address is kept up to date. If you would like more information about your defined benefit pension plan:

- Contact Coughlin and Associates by email at [nfpension@coughlin.ca](mailto:nfpension@coughlin.ca) or call toll-free at 1-888-613-1234

Staff of the Non-Public Funds, Canadian Forces employees can also:

- Visit the HR Website at <https://www.cfmws.com/en/EmployeeZone/Pages/default.aspx>
- Contact your local Human Resources professional