

The balance sheet of this copy of the financial statements should be signed by the director(s) whose name(s) have been printed on the other copies and this copy should then be returned to Welch LLP for their records.

#19450

**FINANCIAL STATEMENTS**

**For**

**SISIP FS**

**For year ended**

**DECEMBER 31, 2014**

**INDEPENDENT AUDITOR'S REPORT**

To the Non-Public Property Board

We have audited the accompanying financial statements of SISIP FS, which comprise the balance sheet as at December 31, 2014 and the statements of operations and changes in surplus and cash flows 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 private enterprises, 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 SISIP FS as at December 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

***Comparative Information***

The financial statements of SISIP FS for the year ended December 31, 2013, were audited by another auditor who expressed an unmodified opinion on those statements on October 21, 2014.



Chartered Professional Accountants  
Licensed Public Accountants

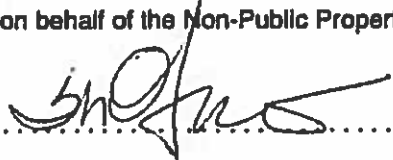
Ottawa, Ontario  
November 5, 2015.

**SISIP FS**  
**BALANCE SHEET**  
**DECEMBER 31, 2014**  
*(in thousands of dollars)*

	<u>2014</u>	<u>2013</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 248	\$ 21
Trade accounts receivable	11	60
Work in progress	58	4
Prepaid expenses	<u>66</u>	<u>64</u>
	<u>383</u>	<u>149</u>
<b>OTHER ASSETS</b>		
Segregated funds (note 5)	348,447	322,039
Net plan assets (note 4)	<u>50,365</u>	<u>53,549</u>
	<u>399,195</u>	<u>375,737</u>
<b>PROPERTY AND EQUIPMENT (note 6)</b>		
	<u>166</u>	<u>194</u>
	<u>\$ 399,361</u>	<u>\$ 375,931</u>
<b><u>LIABILITIES AND SURPLUS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (note 7)	\$ 3,545	\$ 3,509
<b>SURPLUS (note 8)</b>		
	<u>395,816</u>	<u>372,422</u>
	<u>\$ 399,361</u>	<u>\$ 375,931</u>

Commitments (note 11)

Approved on behalf of the Non-Public Property Board:

  
 .....Shirley Tang-Jassemi, Chief Financial Officer

(See accompanying notes)

**SISIP FS**  
**STATEMENT OF OPERATIONS AND CHANGES IN SURPLUS**  
**YEAR ENDED DECEMBER 31, 2014**  
*(in thousands of dollars)*

	<u>2014</u>	<u>2013</u>
<b>Revenue</b>		
Financial Planning services (Schedule A)	\$ 6,374	\$ 6,135
Gain on segregated funds	30,709	19,192
Change in value of net plan assets (Schedule B)	<u>(3,056)</u>	<u>44,980</u>
	<u>34,027</u>	<u>70,307</u>
<b>Expenses</b>		
Financial Planning services and administration (Schedule A)	6,582	6,663
Investment management fees	901	831
Grant to Morale and Welfare programs	<u>3,150</u>	<u>3,150</u>
	<u>10,633</u>	<u>10,644</u>
<b>Net income</b>	23,394	59,663
<b>Surplus, beginning of year</b>	<u>372,422</u>	<u>312,759</u>
<b>Surplus, end of year</b>	<u>\$ 395,816</u>	<u>\$ 372,422</u>

(See accompanying notes)

**SISIP FS**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2014**  
*(in thousands of dollars)*

	<u>2014</u>	<u>2013</u>
<b>CASH PROVIDED FROM (USED IN)</b>		
<b>Operating activities</b>		
Net income	\$ 23,394	\$ 59,663
<b>Items not affecting cash:</b>		
Unrealized segregated fund income, net of expense	(29,808)	(18,361)
Unrealized income (loss) from net plan assets	3,056	(44,980)
Amortization	<u>42</u>	<u>51</u>
	(3,316)	(3,627)
<b>Change in level of:</b>		
Trade accounts receivable	49	(54)
Work in progress	(54)	(3)
Prepaid expenses	(2)	(4)
Accounts payable and accrued liabilities	<u>36</u>	<u>(38)</u>
	<u>(3,287)</u>	<u>(3,728)</u>
<b>Investing activities</b>		
Proceeds from withdrawal of segregated funds	3,400	-
Proceeds from withdrawal of net assets	128	3,735
Purchase of property and equipment	<u>(14)</u>	<u>(26)</u>
	<u>3,514</u>	<u>3,709</u>
<b>INCREASE (DECREASE) IN CASH</b>	227	(17)
<b>CASH, BEGINNING OF YEAR</b>	<u>21</u>	<u>38</u>
<b>CASH, END OF YEAR</b>	<u>\$ 248</u>	<u>\$ 21</u>

(See accompanying notes)

**SISIP FS**  
**STATEMENT OF OPERATIONS OF FINANCIAL PLANNING**  
**YEAR ENDED DECEMBER 31, 2014**  
*(in thousands of dollars)*

	<u>2014</u>	<u>2013</u>
<b>Revenue</b>		
Financial counseling and education	\$ 2,716	\$ 3,093
Commissions	2,682	2,108
Subscriptions	812	786
Income tax returns	124	122
Interest income	<u>40</u>	<u>26</u>
	<u>6,374</u>	<u>6,135</u>
<b>Expenses</b>		
Payroll and benefits	5,248	5,488
Mutual fund management fees	418	346
Lease payments	319	304
Office	171	112
Communications	74	70
Travel	63	67
Cleaning services	51	48
Temporary work contracts	49	37
Amortization	42	51
Advertising and printing	41	36
Other	31	32
License fees	31	29
Insurance liabilities and property	20	18
Training	15	12
Repairs and maintenance	5	7
Personnel education program	<u>4</u>	<u>6</u>
	<u>6,582</u>	<u>6,663</u>
<b>Loss for the year</b>	<u>\$ (208)</u>	<u>\$ (528)</u>

(See accompanying notes)

**SISIP FS**  
**CHANGES IN NET ASSETS - SISIP PROPER**  
**YEAR ENDED DECEMBER 31, 2014**  
*(in thousands of dollars)*

	<u>2014</u>	<u>2013</u>
<b>Revenue</b>		
Premium income (note 2)	\$ 68,462	\$ 65,734
Interest credited (notes 2 and 3)	<u>8,171</u>	<u>18,040</u>
	<u>76,633</u>	<u>83,774</u>
<b>Expenses</b>		
Claims and related expenses	47,665	44,429
Other operating expenses	3,837	3,796
Reinsurance	3,217	2,813
Policy administration	1,649	1,564
Premium and sales tax	1,496	1,426
Reserve increase - plan experience	8,829	1,006
Prior year adjustment	(10)	9
Premium tax adjustment	<u>(1,131)</u>	<u>(926)</u>
	<u>65,552</u>	<u>54,117</u>
<b>Income from operations</b>	11,081	29,657
<b>Other Item</b>		
Reserve (increase) decrease - assumption changes (notes 2 and 4)	<u>(14,137)</u>	<u>15,323</u>
<b>Net change in assets</b>	<u>\$ (3,056)</u>	<u>\$ 44,980</u>

(See accompanying notes)

**SISIP FS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2014**  
*(in thousands of dollars)*

**1. NATURE OF OPERATIONS**

Service Income Security Insurance Financial Services ("SISIP FS") is a commercial activity of the Canadian Forces Morale and Welfare Services ("CFMWS") operating under the authority of the Chief of the Defence Staff ("CDS") in his Non-Public Property ("NPP") capacity. Responsibility for directing the affairs of SISIP FS rests with the Director General Morale and Welfare Services as delegated by the CDS. Operations are divided between SISIP FS - Proper ("SISIP Proper") and SISIP FS - Financial Planning ("SISIP FP") (see schedule A).

SISIP Proper provides financial products and services to Canadian Forces' members and their families to enhance the financial well-being of the Canadian Forces community through tailored and unbiased financial solutions; thereby contributing to operational readiness and effectiveness. SISIP Proper, provides the following products: Survivor Income Benefit (SIB), Dependent Life (DL), Optional Group Term Insurance (OGTI), Insurance for Released Members (IRM), Coverage After Release (CAR), Reserve Term Insurance Plan (RTIP), Spousal Disability Plan (SDP) and Optional General Officers Insurance Plan (Opt GOIP) (the "Plans"). The Plans are managed by The Manufacturers Life Insurance Company ("Manulife") based on a Financial and Operations Agreement (the "Agreement") between the CDS and Manulife. The CDS has surplus under the Plans with Manulife for the purpose of funding the payment of claims under the plans. Should these funds not be sufficient to discharge all claims, CDS is responsible for funding the deficit.

Manulife is the Insurer of the insurance program and provides administration services such as premium review, claims adjudication and the payment of lump-sum and monthly benefits for the Plans. However SISIP FS and the CDS have the right to make adjudication decisions as they determine needed.

SISIP FS is responsible for managing the program and working with the various stakeholders to ensure excellence in customer service to their Canadian Forces clients. Along with some administration functions, SISIP FS is responsible to ensure that the Plans are being administered in accordance with contractual provisions and they are on a sound financial footing.

SISIP FP provides military personnel and their families with:

1. nationwide access to the services of a Certified Financial Planner (CFP), including access to a complete financial plan and investment services;
2. financial counseling services to help the Canadian Forces (CF) members to develop and manage budgets, alleviate a difficult financial situation or simply provide advice when members have to make important financial decisions; and
3. professional personal financial education services to military recruits and officer cadets so they become familiar with key financial management principles, such as using credit with the help of a budget, and also provides training to those attending junior and intermediate leadership schools.

The Canadian Forces Central Fund ("CFCF") is a separate entity under the directional responsibility of the NPP Board, provides banking services and financial assistance to NPP entities and has responsibility for SISIP FS.

In common with other non-public funds, SISIP FS is exempt from paying income tax under Part 1 of the Income Tax Act.



**SISIP FS**  
**NOTES TO FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2014**  
*(in thousands of dollars)*

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of presentation*

The financial statements are prepared in accordance with the Canadian generally accepted accounting principles for private enterprises with the exception of the Coverage After Release (CAR) paid-up policy and Supplementary Survivor Benefit (SSB) for which no future premium payment will be made. Under Canadian generally accepted accounting principles for private enterprises these are liabilities in determining the net plan assets or liabilities. SISIP FS does not recognize a liability for these coverages until the plan member is entitled to an issued policy. This is consistent with the treatment of the benefits under the Agreement. The estimated value of these claims has been disclosed as a commitment in note 11.

*Financial Instruments*

*(a) Measurement of financial instruments*

SISIP initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

Cash, segregated funds and plan investments are subsequently measured at fair value. Changes in fair value are recognized in the statement of operations in the period incurred. The fair value of segregated funds and plan investments are determined by reference to published price quotations in active market at year-end.

*(b) Transaction costs*

Transaction costs are recognized in the statement of operations in the period incurred, except for financial instruments that will be subsequently measured at amortized cost.

*Revenue recognition*

Revenues are recorded in the period in which they are earned, collection of any related amounts receivable is probable, per service evidence of an arrangement exists and the sales price is fixed and determinable. Unearned amounts for which material program benefits or services have yet to be delivered are recorded as deferred revenue.

*Property and equipment*

Property and equipment are stated at cost, less accumulated amortization. Amortization is provided using the straight-line method at the following annual rates:

Furniture and fixtures	12%
Computer equipment	24%
Leasehold improvements	9%

**SISIP FS**  
**NOTES TO FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2014**  
*(in thousands of dollars)*

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

*Net plan assets and liabilities*

Under the terms of the Agreement, SISIP Proper is required to fund all liabilities associated with the Plans. Funds are held on deposit by Manulife which are used to discharge these liabilities. Funds held on deposit are required to be held until all liabilities are discharged and Manulife has the legal right under the Agreement to use these funds in discharging the liabilities before SISIP Proper can withdraw the funds. As a result, the difference between the estimated liabilities and funds held on deposit presented net as either assets or liabilities.

The net plan assets and liabilities are measured at each reporting period as the difference between the plan reserves and plan investments.

The Plan reserves are measured by estimating the actuarial determined liabilities for the Plans plus an amount for a Claims Fluctuations Reserve ("CFR") (note 4) required under the Agreement. Canadian standards for private enterprises do not have guidance in determining these liabilities. As a result SISIP Proper follows IFRS 4, Insurance Contracts in determining the measurement plan reserves. The Plan reserves were determined in accordance with the standards established by the Canadian Institute of Actuaries. Manulife's plan reserves have been determined using the Canadian Asset Liability Method ("CALM"). Changes in the liabilities are recorded in the statement of operations when incurred.

The Plan investments represent the cumulative of incomes in excess of expenditures before considering Plan reserves.

*Premium income and related expenses*

Gross premiums for all types of insurance contracts, and contracts with limited mortality or morbidity risk, are recognized as revenue when due.

Expenses are recognized when incurred. Plan assets and liabilities are computed at the end of each year, resulting in benefits and expenses being matched with the premium income.

*Interest credited*

Interest is credited to the Plans for plan investments based on an interest crediting formula defined in the Agreement. The formula is based on the actual return of a predetermined asset mix.

*Employee future benefits*

SISIP FS participates in the Canadian Forces Non-Public Funds Employees Pension Plan ("the Plan"), which is a multiemployer, contributory, defined benefit plan. The Plan provides retirement benefits relating to contributions and years of service of staff of all Non-Public Funds. Substantially all SISIP FS employees are eligible to be members of the Plan.

SISIP FS' portion of the Plan is accounted for as a defined contribution plan as there is insufficient information available to use defined benefit plan accounting. As a result, SISIP FS' contributions to the Plan are included as an expense in the statement of operations. A pension asset has not been recorded on the balance sheet.

**SISIP FS**  
**NOTES TO FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2014**  
*(in thousands of dollars)*

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

*Use of estimates*

The preparation of financial statements in conformity with Canadian accounting standards for private enterprises 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 estimates in the determining the estimated net realizable value of trade accounts receivable, the estimated useful of SISIP FS' property and equipment, its plan reserves and certain accrued liabilities. Actual results could differ from those 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 AND RISK MANAGEMENT**

SISIP FS is exposed to various risks through its financial instruments. The following analysis provides a measure of SISIP FS' risk and exposure and concentrations.

SISIP FS does not use derivative financial instruments to manage its risks.

*Credit risk*

SISIP FS is exposed to credit risks principally from cash, trade accounts receivable, segregated funds and plan investments. SISIP FS carries out, on a continuing basis, a review of outstanding amounts and maintains provision for uncollectible amounts and also deals with credit worthy counterparts to mitigate the risk of financial loss from default.

*Liquidity risk*

Liquidity risk refers to the adverse consequences that SISIP FS will encounter difficulty in meeting obligations associated with financial liabilities, which are comprised on accounts payable and accrued liabilities.

SISIP FS manages this risk by maintaining sufficient cash to meet their current obligations and management establishes budget and cash estimates to determine their future cash flow requirements.

*Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

i) **Currency risk**

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

Substantially all SISIP FS' transactions are in Canadian dollars and as a result, the organization is not subject to significant currency risk.

ii) **Interest rate risk**

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

SISIP FS is exposed to interest rate risk as result of the potential claims from the members of the various plans. If cash flow from assets supporting claim liabilities does not match the timing and amount of the claim cash flows, interest rate losses or gains may occur due to changing interest rates in the future. The quality of the asset liability matching program is reviewed quarterly at Manulife using duration measures and cash flow testing under alternative economic scenarios. An investment policy was implemented and this policy is structured to provide much better matching of assets and liabilities.

**SISIP FS**  
**NOTES TO FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2014**  
*(in thousands of dollars)*

**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - Cont'd.**

iii) Other price risk

Other price risk refers to the risk that the fair value of financial instruments of future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

Other price risk affecting segregated funds disclosed in note 5.

*Changes in risk*

There have been no material changes in SISIPS FS' risk exposures from the prior year.

**4. NET PLAN ASSETS AND LIABILITIES**

The net plan assets represent the following held by Manulife:

	<u>2014</u>	<u>2013</u>
Plan reserves	\$ (227,367)	\$ (204,401)
Plan investments	<u>277,732</u>	<u>257,950</u>
<b>Net plan assets</b>	<b><u>\$ 50,365</u></b>	<b><u>\$ 53,549</u></b>

SISIP FS is entitled to any surplus once all obligations under the Plan have been paid. Also, should the Plan be in a deficit position, SISIP FS is responsible to fund the liability.

Actuarial reserves used in the determination of plan liabilities are calculated by Manulife based on the methodology described in note 2. Assumptions used by Manulife to determine the reserves are only changed after proper notice has been given to SISIP FS.

The determination of the actuarial reserves included in plan liabilities involves the use of estimates and assumptions which are comprised of two major components; a best estimated amount and a provision for adverse deviation. In conjunction with prudent business practices to manage both business and investment risks, the selection and monitoring of appropriate assumptions are designed to minimize SISIP Proper's exposure to measurement uncertainty.

Best estimate assumptions are made with respect to mortality and morbidity, investment returns, rates of policy termination, operating expenses and certain taxes. Actual experience is monitored to ensure that the assumptions remain appropriate and assumptions are changed as warranted.

The assumptions made in establishing actuarial reserves reflect expected best estimates of future experience. To recognize the uncertainty in these best estimate assumptions, to allow for possible under or over estimation of and deterioration in experience and to provide a greater degree of assurance that actuarial reserves are adequate to pay future benefits, SISIP Proper is required to include a margin in each assumption.

Minimum requirements are prescribed by the Canadian Institute of Actuaries for determining margins related to interest rate risk. Specific guidance is also provided for other risks such as market, credit, mortality and morbidity risks. For other risks which are not specifically addressed by the Canadian Institute of Actuaries, a range is provided of five per cent to 20 per cent of the expected experience assumption. Annual assumptions used are within the permissible ranges, with the determination of the level set taking into account the risk profile of the business. On occasion, in specific circumstances for additional prudence, a margin may exceed the high end of the range, which is permissible under the Standards of Practice. Each margin is reviewed annually for continued appropriateness.

The Agreement defines the requirements for SISIP Proper to fund any Plan shortfalls and when SISIP Proper is entitled to withdraw the plan assets. SISIP Proper is required to maintain a CFR up to 25% of the Plan premiums. The CFR restricts SISIP Proper from withdrawing surplus from the Plan.

**SISIP FS**  
**NOTES TO FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2014**  
*(in thousands of dollars)*

**5. SEGREGATED FUNDS**

SISIP Proper's surplus assets are held in a segregated fund. The fund value is presented at fair value and any unrealized gains or losses are recorded in the statement of income in the period in which the change occurs. The segregated assets are invested in accordance with the guidelines set out in the investment policy developed by SISIP FS. The investment policy has set targeted investment mix of cash 5%, bonds 70%, Canadian equity 15%, US large equity 3.3% and International equity 6.7%. The actual allocation of the funds is as follows:

	<u>2014</u> %	<u>2013</u> %
Cash	1.6	1.7
Bonds	63.6	64.4
Canadian Equity	22.8	22.2
US Large Equity	5.3	4.7
International Equity	<u>6.7</u>	<u>7.0</u>
	<u>100.0</u>	<u>100.0</u>

**6. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>2014</u>			<u>2013</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Furniture and fixtures	\$ 181	\$ 137	\$ 44	\$ 41
Computer equipment	92	74	18	33
Leasehold improvement	<u>442</u>	<u>338</u>	<u>104</u>	<u>120</u>
	<u>\$ 715</u>	<u>\$ 549</u>	<u>\$ 166</u>	<u>\$ 194</u>

**7. ACCOUNTS PAYABLE**

Accounts payable in the amounts of \$3,400 are due to CFMWS and have no set terms of repayment. The remaining \$145 represents trade payables.

**8. SURPLUS**

SISIP FS is restricted from the withdrawal of surplus funds under the Agreement. In addition to the restriction required for the CFR (note 4), SISIP Proper is required under the Reinsurance Funding Agreement to maintain a minimum of \$260,000 of surplus and CFCF has committed \$100,000 to cover claims in excess of reinsurance coverage made in relation to hostile events (as defined under the Agreement). SISIP FS must provide Manulife with at least nine months notice should it intend to reduce the surplus below \$260,000.

**SISIP FS**  
**NOTES TO FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2014**  
*(in thousands of dollars)*

**9. PENSION PLAN**

SISIP FS' contributions to the Plan of \$380 (2013 - \$343) are included in the applicable expense category on the NPF and public statement of operations.

Actuarial valuations prepared as at December 31 indicated the following information about the Plan.

	<u>2014</u>	<u>2013</u>
Fair value of plan assets	\$ 266,829	\$ 234,154
Actuarial benefit obligation	<u>(208,772)</u>	<u>(193,871)</u>
 Surplus	 <u>\$ 58,057</u>	 <u>\$ 40,283</u>

In addition, the Plan was actuarially valued at December 31, 2014 on a going concern basis as well as on the solvency basis.

Under the going concern basis, this valuation compares the relationship between the value of the Plan's assets and the present value of the expected future benefit cash flows in respect of accrued service, assuming the Plan will be maintained indefinitely. Under this scenario, the valuation resulted in a surplus of \$47.4 million.

Conversely, under the hypothetical solvency (or wind up) basis, the Plan is assumed to be wound up and settled on the valuation date, assuming benefits are settled in accordance with the existing taxation rules and under circumstances producing the maximum wind up liabilities on the valuation date. This valuation resulted in a deficit of \$42.1 million.

These valuations are utilized to assess monthly and annual employer contributions. The Plan is required to have its next actuarial valuation performed as at December 31, 2015.

**10. RELATED PARTY TRANSACTIONS**

In 2014, the SISIP FS paid lease expenses of \$190 (2013 - \$184) to the Canadian Forces Exchange System ("CANEX"), an entity part of Canadian Forces Morale and Welfare Services. All revenue in 2014 and 2013 from financial counseling and education services is received from the Department of National Defence, operating under the authority of the Chief of the Defence Staff.

All transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**SISIP FS**  
**NOTES TO FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2014**  
*(in thousands of dollars)*

**11. COMMITMENTS**

SISIP Proper have estimated future liabilities not yet recognized related to the CAR paid-up policy and SSB for which no futures premium payment will be made. The terms of the Agreement do not include these amounts in the determination of plan reserves. The estimated present value of these future liabilities has been assessed at \$123,114 as of December 31, 2014.

SISIP FS is committed to payments under an operating lease for the premise at 234 Laurier Avenue West, Ottawa through 2020. Annual payments for the next six years are as follows:

2015	\$	75
2016		79
2017		79
2018		81
2019		82
2020		<u>75</u>
	\$	<u>471</u>