

**FINANCIAL STATEMENTS**  
**For**  
**CANADIAN FORCES NON-PUBLIC FUNDS EMPLOYEES PENSION PLAN**  
**For year ended**  
**DECEMBER 31, 2011**

**INDEPENDENT AUDITOR'S REPORT**

To the Chairperson and Members of the Employee Pension Plan Board of:

**CANADIAN FORCES NON-PUBLIC FUNDS EMPLOYEES PENSION PLAN**

We have audited the accompanying financial statements of the Canadian Forces Non-Public Funds Employees Pension Plan, which comprise the statement of financial position as at December 31, 2011 and December 31, 2010 and the statement of changes in accrued pension benefits, the statement of changes in surplus (deficit) and the statement of changes in net assets available for benefits for the years 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 Canadian Forces Non-Public Funds Employees Pension Plan as at December 31, 2011 and December 31, 2010 and the changes in net assets available for benefits, surplus (deficit) and changes in accrued pension benefits for the years then ended in accordance with Canadian accounting standards for pension plans.



Chartered Accountants  
Licensed Public Accountants

Ottawa, Ontario  
November 5, 2012.

**CANADIAN FORCES NON-PUBLIC FUNDS EMPLOYEES PENSION PLAN**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2011**

	<u>2011</u>	<u>2010</u>
<b><u>NET ASSETS AVAILABLE FOR BENEFITS</u></b>		
Cash	\$ 257,247	\$ 114,968
Investments (note 5 and schedule A)	168,740,954	157,007,528
Due from Canadian Forces Central Fund (note 6)	9,838,552	1,986,798
Pension receivable (note 7)	<u>15,969</u>	<u>31,466</u>
	178,852,722	159,140,760
Less accounts payable and accrued liabilities	<u>82,105</u>	<u>254,106</u>
	<b><u>\$ 178,770,617</u></b>	<b><u>\$ 158,886,654</u></b>

**ACCRUED PENSION BENEFITS AND SURPLUS (DEFICIT)**

Actuarial value of accrued pension benefits (note 8)	\$ 166,811,000	\$ 170,679,000
Surplus (deficit) (note 8)	<u>11,959,617</u>	<u>(11,792,346)</u>
Net assets available for benefits	<b><u>\$ 178,770,617</u></b>	<b><u>\$ 158,886,654</u></b>

Signed:

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(See accompanying notes)

**CANADIAN FORCES NON-PUBLIC FUNDS EMPLOYEES PENSION PLAN**  
**STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS**  
**YEAR ENDED DECEMBER 31, 2011**

	<u>2011</u>	<u>2010</u>
<b>INCREASE IN BENEFITS</b>		
Interest accrued on benefits	\$ 10,865,424	\$ 8,930,641
Benefits accrued	14,436,207	12,210,847
Adjustment to valuation of accrued pension benefits	<u>-</u>	<u>16,745,860</u>
Increase in accrued benefits	<u>25,301,631</u>	<u>37,887,348</u>
<b>DECREASE IN ACCRUED BENEFITS</b>		
Annuity payments and refunds	8,100,646	7,986,348
Adjustment to valuation of accrued pension benefits	<u>21,068,985</u>	<u>-</u>
Decrease in accrued benefits	<u>29,169,631</u>	<u>7,986,348</u>
<b>NET INCREASE (DECREASE) IN ACCRUED PENSION BENEFITS</b>	(3,868,000)	29,901,000
<b>ACCRUED PENSION BENEFITS AT BEGINNING OF YEAR</b>	<u>170,679,000</u>	<u>140,778,000</u>
<b>ACCRUED PENSION BENEFITS AT END OF YEAR</b>	<u>\$ 166,811,000</u>	<u>\$ 170,679,000</u>

(See accompanying notes)

**CANADIAN FORCES NON-PUBLIC FUNDS EMPLOYEES PENSION PLAN**  
**STATEMENT OF CHANGES IN SURPLUS (DEFICIT)**  
**YEAR ENDED DECEMBER 31, 2011**

	<u>2011</u>	<u>2010</u>
Deficit of net assets available for benefits versus accrued benefits at beginning of year	\$ (11,792,346)	\$ (7,257,521)
Net increase in net assets available for benefits	19,883,963	25,366,175
Net decrease (increase) in accrued pension benefits	<u>3,868,000</u>	<u>(29,901,000)</u>
Surplus (deficit) of net assets available for benefits versus accrued benefits at end of year	<u>\$ 11,959,617</u>	<u>\$ (11,792,346)</u>

(See accompanying notes)

**CANADIAN FORCES NON-PUBLIC FUNDS EMPLOYEES PENSION PLAN**  
**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**  
**YEAR ENDED DECEMBER 31, 2011**

	<u>2011</u>	<u>2010</u>
<b>INCREASE IN ASSETS</b>		
Contributions - employer	\$ 23,595,097	\$ 14,223,830
- employee	<u>4,596,054</u>	<u>4,478,355</u>
	28,191,151	18,702,185
Realized gain - equities	4,723,639	2,503,942
Current period increase (decrease) in market value of investments	(6,510,922)	10,828,351
Dividend income	1,776,138	1,517,816
Interest earned on investments	<u>128,572</u>	<u>67,403</u>
Total increase in assets	<u>28,308,578</u>	<u>33,619,697</u>
<b>DECREASE IN ASSETS</b>		
Withdrawals		
Annuity payments	5,091,767	4,712,488
Refunds	<u>3,008,879</u>	<u>3,273,860</u>
	<u>8,100,646</u>	<u>7,986,348</u>
Operating expenses		
Investment management fees	323,758	266,434
Miscellaneous	<u>211</u>	<u>740</u>
	<u>323,969</u>	<u>267,174</u>
Total decrease in assets	<u>(8,424,615)</u>	<u>(8,253,522)</u>
<b>INCREASE IN NET ASSETS</b>	19,883,963	25,366,175
<b>NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR</b>	<u>158,886,654</u>	<u>133,520,479</u>
<b>NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR</b>	<u>\$ 178,770,617</u>	<u>\$ 158,886,654</u>

(See accompanying notes)

**CANADIAN FORCES NON-PUBLIC FUNDS EMPLOYEES PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

**1. DESCRIPTION OF PENSION PLAN**

The Canadian Forces Non-Public Funds Employees Pension Plan (the "Plan") became effective January 1, 1969 and was established under the provisions of Section 38 of the National Defence Act to account for the accumulation of employee deductions and employer contributions from participating bases, the transfer of such funds to the custodian for investment purposes and the recording of fund assets and liabilities. The Plan's trustee is Manulife Financial, its fund manager is Standard Life and its actuary is Mercer (Canada) Limited. The Plan's registration number with the Office of the Superintendent of Financial Institutions ("OSFI") is 55228.

The Plan is a registered pension plan as defined in the Income Tax Act and as such, is not subject to income taxes. The Plan's registration number for income tax purposes is 0277954.

The following description of the Plan is a summary only. For more information, reference should be made to the Plan text.

a) General

The Plan is a contributory defined benefit plan integrated with the Canada/Quebec Pension Plan and registered under the Pension Benefits Standards Act of Canada. Plan membership is compulsory from the date of hire for all full-time employees over 18 years of age. Part-time employees may join the Plan after two consecutive calendar years with earnings in excess of 35% of the Year's Maximum Pensionable Earnings.

b) Funding policy

The Plan is funded by the plan members (employees) and the sponsor (employer).

The employee contributes 4.5% of earnings which are not in excess of the Canada/Quebec Pension Plan Year's Maximum Pensionable Earnings ("YMPE") and 6% of the member's annualized earnings in excess of the YMPE. Members cease making contributions when they reach 35 years of service.

The employer contributes actuarially recommended amounts sufficient to satisfy any experience deficiency and provide pension benefits accruing to plan members during the current year. The most recent actuarial valuation of the Plan was as at December 31, 2011.

c) Service pension

Employees meeting eligibility conditions are entitled to annual pension benefits beginning at age 65 for service on or after January 1, 1997 equal to 1.5% of the employees' average pensionable earnings up to the average YMPE plus 2% of the employees' average pensionable earnings above the average YMPE times the number of years of pensionable service since January 1, 1997 plus, for service before January 1, 1997, the greater of:

- a) 40% of the employees' total required contributions before January 1, 1997;
- b) 1.5% of the employees' average pensionable earnings up to the average YMPE plus 2% of the employees' average pensionable earnings above the average YMPE times the years of pensionable service before January 1, 1997; or
- c) 1.8% of the employees' average pensionable earnings for 1994, 1995 and 1996 up to \$34,900 plus 2.4% of the employees' average pensionable earnings for 1994, 1995 and 1996 above \$34,900 but below \$52,350 plus 2% of the employees' average pensionable earnings for 1994, 1995 and 1996 above \$52,350 times the number of years of pensionable service before January 1, 1997.

**CANADIAN FORCES NON-PUBLIC FUNDS EMPLOYEES PENSION PLAN**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2011**

**1. DESCRIPTION OF PENSION PLAN - Cont'd.**

c) Service pension - Cont'd.

Employees with less than three years of pensionable service are only eligible for the greater of a) or b) for their service prior to January 1, 1997. Pensions in payment have been indexed on an adhoc basis at a rate of 75% of the consumer price index. The most recent adjustment was effective September 1, 2007.

Pensionable earnings means base salary and wages including overtime and performance pay, but excluding bonuses or other special remuneration. Average pensionable earnings mean the employee's average earnings as a plan member during the three highest-paid consecutive years of pensionable service in the ten years before the retirement date. If the employee has less than three years of pensionable service, then the actual average of earnings received will be used.

Employees who have ten or more years of pensionable service may retire at age 60 and receive an immediate unreduced pension. Employees who are age 50 with ten or more years of pensionable service may elect to retire early and receive a pension reduced by 0.25% for each month that the actual retirement date precedes their 60th birthday. Employees who are age 55 with less than ten years of pensionable service may elect to retire early and receive a pension reduced by 0.25% for each month that the actual retirement date precedes their 65th birthday.

The Chief Executive Officer approved an initiative to give the Canadian Forces Non-Public Funds full-time and part-time employees the opportunity to buy-back pensionable services during the previously imposed mandatory or the voluntary waiting periods. The pension buy-back commenced in year 2004. For the previously imposed mandatory periods, the buy-back cost is shared between the employee and the employer and for the voluntary waiting periods, the employee is fully responsible for the cost.

d) Bridge benefits

An employee who retires early from active service and who satisfies the eligibility requirements as follows:

- a) has attained age 55 at retirement,
- b) must have completed at least five years of pensionable services at retirement, and
- c) the sum of the employees' age and completed years of pensionable service at retirement must be equal to at least sixty-five,

is entitled to also receive an annual bridge benefit payable in equal monthly instalments in an amount equal to \$15 per month for each completed year of pensionable service, to a maximum of 20 years. Such bridge benefit is payable from the date that the early retirement pension commences and ceases with the payment immediately preceding or coinciding with the earlier of the employee's normal retirement date or the date of death.



**CANADIAN FORCES NON-PUBLIC FUNDS EMPLOYEES PENSION PLAN**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2011**

**1. DESCRIPTION OF PENSION PLAN - Cont'd.**

e) Death benefits

The normal form of pension provides for monthly payments for life of retired members with 180 payments guaranteed. Should the employee die before receiving the guaranteed 180 monthly payments, the remainder will continue to be paid to the beneficiary. If the employee has a spouse at retirement, the automatic option provides that a joint pension in an amount that is the actuarial equivalent of the normal form is payable throughout the joint lifetime of the employee and spouse, reducing to 60% on the death of the employee. An employee may elect a joint and survivor pension which provides for a benefit of 100% to the surviving spouse after death. In the event the normal form is not the form payable, the benefit payable will be the actuarial equivalent of the normal form, which cannot exceed the amount payable under the normal form

If death occurs before becoming eligible for early retirement, the member's surviving spouse, or if there is no surviving spouse, the beneficiary, or if no beneficiary exists, the member's estate, is entitled to a death benefit. The amount of the death benefit is equal to the transfer value to which the member would have been entitled if employment had terminated on the date of death. The surviving spouse, if any, may elect among the following alternatives: transfer to a locked-in RRSP, transfer to a registered pension plan or purchase an immediate life annuity or deferred life annuity. The beneficiary or the member's estate shall receive the death benefit in a cash lump sum.

Notwithstanding the above, if the death benefit is less than 20% of the YMPE in the calendar year of the member's death, the death benefit is payable in a cash lump sum which the surviving spouse, if any, may elect to transfer in accordance with the alternatives listed above.

If a member dies after becoming eligible for early retirement, the surviving spouse is entitled to an annuity payable for life. The amount of the annuity shall be determined as if the member had actually retired on the day prior to the member's death and had elected the automatic option. Where there is no surviving spouse, the beneficiary, or if there is no beneficiary, the member's estate is entitled to the transfer value to which the member would have been entitled if employment had terminated on the date of death.

f) Termination benefits

A member who terminates employment is entitled to receive a pension deferred to his/her Normal Retirement Date equal to the accrued pension. The member may also elect to receive a deferred pension earlier. In lieu of receiving a deferred pension, the member may elect to have the transfer value transferred to a locked-in RRSP or a new employer's registered pension plan, or purchase a deferred life annuity.

However, if the transfer value of the deferred pension is less than 20% of the YMPE for the calendar year in which the termination of employment occurs, the member shall receive a lump sum cash refund of the Transfer Value, or may elect to transfer this amount as outlined above.

**CANADIAN FORCES NON-PUBLIC FUNDS EMPLOYEES PENSION PLAN**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2011**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a) *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 investment portfolio or accrued pension benefits in accordance with either International Financial Reporting Standards ("IFRS") or Canadian accounting standards for private enterprises ("ASPE"). The Trustees 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.

b) *Investments*

Investments are recorded as of the trade date and are carried at fair or market value with this value being the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties.

c) *Pension administration and professional fees*

Pension administration costs and professional fees are accounted for as employee benefits in the year-end financial statements of the Canadian Forces Personnel and Family Support Services.

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 the current period change in the fair value of investments. Actual results could differ from such estimates and assumptions. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

**3. ADOPTION OF ACCOUNTING STANDARDS FOR PENSION PLANS**

These are the Plan's first financial statements prepared in accordance with Canadian accounting standards for pension plans. The date of transition to these new standards is January 1, 2010.

These financial statements of the Plan have been prepared using policies specified by those standards that are in effect at the end of the reporting period ended December 31, 2011. The significant accounting policies that have been applied in the preparation of these financial statements are summarized in note 2. These accounting policies have been applied retrospectively to all prior periods presented.

**CANADIAN FORCES NON-PUBLIC FUNDS EMPLOYEES PENSION PLAN**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2011**

**4. FINANCIAL INSTRUMENTS**

The Plan's financial instruments consist of cash, investments, due from Canadian Forces Central Fund, pension receivable and accounts payable and accrued liabilities.

The investments are classified as held-for-trading and are measured at fair value. Unrealized gains or losses on investments are recorded in the statement of changes in net assets available for benefits. Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost. The fair value of cash, due from Canadian Forces Central Fund, pension receivable and accounts payable and accrued liabilities approximate their carrying value due to their short term nature.

The Plan's investments consist predominantly of assets whose values are exposed to fluctuations in interest rates, foreign exchange rates and financial markets as discussed in note 5. Management does not believe that the plan is exposed to significant liquidity risk with respect to other financial instruments.

**5. PENSION INVESTMENTS**

Pension investments, administered by an independent trustee, are valued at market, representing the value at the statement date which could be realized in the event that such investments were converted to cash. The net unrealized market increase or decrease is reflected in the statement of changes in net assets available for benefits.

The Plan has 39% of its investment in Canadian equities, 24% in foreign equities, 33% in bonds and 4% in cash and short-term interest bearing investments that mature in less than one year.

The Plan's investments are categorized in Schedule A according to a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs that are unobservable for the asset or liability.

The Plan has invested in a balanced fund to address the risks discussed below.

Market risk is comprised of currency risk, interest rate risk and other price risk. Currency risk refers to the risk that the fair value of the Plan's investments will fluctuate due to changes in the Canadian dollar relative to foreign exchange rates. Interest rate risk refers to the risk that the fair value of the Plan's investments will fluctuate due to changes in market interest rates. Other price risk refers to the risk that the fair value of the Plan's investments will fluctuate because of changes in market prices.

As outlined in schedule A, the Plan's investments are made up of various types of securities. The numerical figures provided below have been determined by applying the Plan's proportionate share of the total outstanding securities disclosed in schedule A and the market risk sensitivity analysis figures.

**CANADIAN FORCES NON-PUBLIC FUNDS EMPLOYEES PENSION PLAN**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2011**

**5. PENSION INVESTMENTS - Cont'd.**

The Plan's investments are exposed to currency risk by virtue of the fact that approximately 17% of the Plan's net assets are denominated in US dollars and another 7% of the Plan's net assets are denominated in other foreign currencies. As at December 31, 2011, if the Canadian dollar had strengthened or weakened by 1% in relation to other foreign currencies, with all other variables held constant, the Plan's net assets available for benefits would have decreased or increased by approximately \$399,000 or 0.2% of the total portfolio.

The Plan's investments are exposed to interest rate risk by virtue of the fact that the Plan invests in bonds and short-term interest bearing investments. As at December 31, 2011, if prevailing interest rates increased or decreased by 1%, with all other variables held constant, the net assets available for benefits of the Plan would have decreased or increased by approximately \$4,700,000 respectively or 2.8% of the total portfolio.

The Plan's investments are exposed to price risk by virtue of the fact that the Plan invests in equities. As at December 31, 2011, if equity prices on the applicable benchmark index had increased or decreased by 1%, with all other variables held constant, the Plan's net assets available for benefits would have increased or decreased by approximately \$1,060,000 or 0.6% of the total portfolio.

The Plan's investment is exposed to credit risk by virtue of the fact that the investments in bonds and other debt instruments and possible losses may arise where a debt issuer fails to meet its obligation.

**6. DUE FROM CANADIAN FORCES CENTRAL FUND (CFCF)**

The amount due from CFCF of \$9,838,552 (2010 - \$1,986,798) represents amounts held in trust. CFCF operates under the authority of the Chief of the Defence Staff (CDS) in his Non-Public Property (NPP) capacity. Responsibility for directing the affairs of CFCF rests with the Director General Personnel and Family Support Services as delegated by the CDS.

**7. PENSION RECEIVABLE**

The pension receivable consists of the remaining 2004 and 2005 pension buy-back instalments owing from employees that will be fully repaid over the next two years.

**8. ACTUARIAL VALUE OF ACCRUED PENSION BENEFITS**

Accrued pension benefits is the actuarially determined present value amount required to satisfy all future pension obligations for active and retired plan members at the statement date. An actuarial valuation of the Plan was made as at December 31, 2011 by Mercer (Canada) Limited, the Plan's actuaries.

The significant assumptions used are:

- life expectancy of participants as per the 1994 Uninsured Pensioners Mortality Table;
- 5.6% interest rate; and
- 3.5% salary escalation rate.

**CANADIAN FORCES NON-PUBLIC FUNDS EMPLOYEES PENSION PLAN**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2011**

**8. ACTUARIAL VALUE OF ACCRUED PENSION BENEFITS - Cont'd.**

The purpose of the aforementioned actuarial valuation is to determine the value of the Accrued Pension Benefits as at December 31, 2011 for financial statement purposes. Based on the year-end valuation of the Accrued Pension Benefits in the amount of \$166,811,000, the Plan is in a surplus position at December 31, 2011 of \$11,959,617. In addition, the Plan was actuarially valued at December 31, 2011 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 \$8.7 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 \$55.6 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, 2012.

**9. STATEMENT OF CASH FLOWS**

A cash flow statement has not been prepared as cash flow information is readily apparent from other financial statements.

**10. CAPITAL DISCLOSURE**

The Plan's objective when managing capital is to safeguard its ability to continue as a going concern to provide pension benefits to its plan members.

The Plan manages its net assets available for benefits and makes adjustments for changes in economic conditions and risk characteristics of its underlying assets. To meet these requirements, the Plan may sell assets to meet immediate obligations where appropriate. The Plan is not subject to externally imposed capital requirements.

The Employee Pension Plan Committee is responsible for monitoring and evaluating the Plan's performance on a regular basis.

## CANADIAN FORCES NON-PUBLIC FUNDS EMPLOYEES PENSION PLAN

## INVESTMENTS

DECEMBER 31, 2011

	2011		2010	
	Market	Acquisition Cost	Market	Acquisition Cost
<b>EQUITIES</b>				
Canadian stocks - level 1	\$ 65,459,792	\$ 62,924,371	\$ 59,212,161	\$ 46,706,912
US stocks - level 1	511,680	642,817	530,704	296,584
Indexed US equity fund - level 2	27,722,653	24,889,806	27,215,753	27,029,188
Indexed International equity fund - level 2	<u>12,239,251</u>	<u>11,258,325</u>	<u>13,736,478</u>	<u>11,258,325</u>
	<u>105,933,376</u>	<u>99,715,319</u>	<u>100,695,096</u>	<u>85,291,009</u>
<b>BONDS</b>				
Bond index fund - level 2	40,484,096	29,073,793	37,943,981	28,726,750
Government of Canada and provincial bonds - level 2	<u>15,403,102</u>	<u>9,652,382</u>	<u>13,526,712</u>	<u>9,652,381</u>
	<u>55,887,198</u>	<u>38,726,175</u>	<u>51,470,693</u>	<u>38,379,131</u>
<b>SHORT-TERM NOTES</b> - level 2	6,684,835	6,684,835	4,691,542	4,691,542
<b>ACCRUED INVESTMENT INCOME</b> - level 2	<u>235,545</u>	<u>235,545</u>	<u>150,197</u>	<u>150,197</u>
	<u>6,920,380</u>	<u>6,920,380</u>	<u>4,841,739</u>	<u>4,841,739</u>
<b>TOTAL INVESTMENTS</b>	<u>\$168,740,954</u>	<u>\$145,361,874</u>	<u>\$157,007,528</u>	<u>\$128,511,879</u>