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May 26, 2016

PRIVATE & CONFIDENTIAL

Ms. Louise Meagher
Judicial Compensation and Benefits Commission
99 Metcalfe Street, 8th floor
Ottawa, ON K1A 1E3

Via Email [louise.meagher@quadcom.gc.ca]

Dear Ms. Meagher:

Re: 2015 Judicial Compensation and Benefits Commission

As requested, we have outlined the differences in the calculation of the judicial annuity scheme between the February 25, 2016 report that Haripaul Pannu prepared for the Judicial Compensation and Benefits Commission at the request of the Department of Justice (the "Pannu Report") and the March 29, 2016 report that Dean Newell prepared for the Commission at the request of the Canadian Superior Courts Judges Association and the Canadian Judicial Council (the "Newell Report").

- The percentage appointment age weighting between the Pannu Report and the Newell Report were different. The Pannu Report used the weighting that reflected private practice lawyers appointed to the bench. The Newell Report used the used a weighting that reflected all lawyers appointed to the bench. Refer to Appendix A;
- The Pannu Report assumed a disability benefit was provided to judges as part of the judicial annuity program. The Newell Report assumed that no disability benefit was provided to judges as part of the judicial annuity scheme. Thus, the Newell Report did not make any demographic assumptions with respect to the incidence of disability or the mortality rate for judges who become disabled, whereas the Pannu report had those demographic assumptions.
- The Pannu Report assumed that the marital status at retirement for a judge was that they were in a conjugal relationship with a spouse of the opposite gender and the same age as the judge. The Newell Report assumed that 90% of judges were married at retirement and that male spouses were three years older than the female spouse.

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Appendix B includes a summary of the judicial annuity scheme plan provisions and Appendix C the actuarial assumptions used in the calculations of the judicial annuity scheme.

We will be meeting early next week to better understand these differences and their consequences on our respective calculations. We will report back to the Commission shortly thereafter.

Yours sincerely,



Haripaul Pannu

Yours sincerely,



Dean Newell

Appendix A

Judicial Ages at Appointment from January 1, 1997 to March 31, 2015

<u>Appointment Age</u>	<u>Private Practice</u>	<u>Total</u>
40 and under	5	6
41	4	9
42	10	10
43	15	24
44	29	37
45	28	53
46	35	49
47	36	61
48	40	57
49	37	53
50	34	55
51	42	60
52	42	61
53	45	61
54	47	62
55	36	53
56	32	49
57	35	49
58	29	37
59	25	34
60	19	22
61	15	26
62	9	10
63	10	12
64	6	9
65	7	8
66	1	1
67	2	3
68	0	0
69	<u>0</u>	<u>0</u>
	675	971

Age weighting for Appointment from January 1, 1997 to March 31, 2015

<u>Appointment Age</u>	<u>Private Practice</u>		<u>Total</u>	
	<u>Number</u>	<u>Weighting</u>	<u>Number</u>	<u>Weighting</u>
Under 44	34	5.0%	49	5.0%
44 to under 48	128	19.0%	200	20.6%
48 to under 52	153	22.7%	225	23.2%
52 to under 56	170	25.2%	237	24.4%
56 to under 60	121	17.9%	169	17.4%
60 to under 64	53	7.9%	70	7.2%

64 and over 16 2.4% 21 2.2%

Appendix B

Summary of the Plan Provisions of the Judicial Annuity Scheme

Retirement	Age 75 (70 for certain judges appointed prior to March 1, 1987); or Age plus years of service of at least 80 years (minimum 15 years of service); or 10 or more years of service, if a judge of the Supreme Court of Canada
Retirement Pension	66 2/3% of salary at the time of retirement. If less than 10 years of service, the pension is reduced by 1/10 for each year of service below 10 years.
Early Retirement	Age 55 with 10 years of service.
Early Retirement Reduction	5% per year that the pension commences before age 60
Normal Form of Pension	Conjugal relationship: Joint life and 50% survivor pension. otherwise: Lifetime pension with no guarantee.
Cost-of-Living Adjustments	100% of the Consumer Price Index
Death Before Retirement	<p>A lump sum equal to one-sixth of salary is paid to the surviving spouse or common-law partner or to the estate if there is no survivor.</p> <p>Conjugal relationship: A pension is payable to the surviving spouse or common-law partner equal to one-third of the annual salary of the judge.</p> <p>Dependents: A pension is payable to each surviving dependent equal to 20% of the surviving spouse's or common-law's pension, with a reduction if there are more than four dependent children. The pension for a surviving dependent is doubled if that child is an orphan.</p>
Termination prior to retirement	Refund of contributions, with interest.
Disability	Immediate unreduced pension.
Judges Contributions	For judges appointed before February 17, 1975: 1.5% of salary. For judges appointed after February 16, 1975: 1% of salary to the Supplementary Retirement Benefits Account plus 6% of salary to the Consolidated Revenue Fund (CRF) if the judge is not eligible for an unreduced pension. Contributions to the CRF cease when a judge elects supernumerary status

Appendix C

Actuarial Assumptions and Methods Employed in Determining Judicial Annuity Scheme – Retirement Benefit and Disability Benefit

	Pannu Report	Newell Report
Interest rate	5.5% per year	5.5% per year
Rate of future increase in income	3.0% per year	3.0% per year
Consumer Price Index increase	2% per year	2% per year
Post-retirement pension indexing	100% of increase in Consumer Price Index	100% of increase in Consumer Price Index
Termination of employment or death prior to retirement	Nil	Nil
Incidence of disability	Rates specified in the actuarial report on the Pension Plan for Federally Appointed Judges as at 31 March 2013 prepared by the Office of the Chief Actuary of the Office of the Superintendent of Financial Institutions (unisex 67% male, 33% female)	Nil
Retirement age	Retirement rates specified in the actuarial report on the Pension Plan for Federally Appointed Judges as at 31 March 2013 prepared by the Office of the Chief Actuary of the Office of the Superintendent of Financial Institutions	Retirement rates specified in the actuarial report on the Pension Plan for Federally Appointed Judges as at 31 March 2013 prepared by the Office of the Chief Actuary of the Office of the Superintendent of Financial Institutions
Mortality after retirement	CPM public generational mortality table (unisex 67% male, 33% female)	CPM public generational mortality table (unisex 67% male, 33% female)
Disability mortality	mortality after retirement multiplied by factors as outlined in the actuarial report on the Pension Plan for Federally Appointed Judges as at 31 March 2013 prepared by the Office of the Chief Actuary of the Office of the Superintendent of Financial Institutions	N/A
Relationship status at retirement	conjugal relationship, with spouse of opposite gender and same age as the member	Judges assumed to be 90% married at retirement; Male spouses assumed to be 3 years older than female spouse
Actuarial valuation method	Projected Benefit	Projected Benefit