

February 23, 2012

PRIVILEGED & CONFIDENTIAL

Judicial Compensation and Benefits Commission

99 Metcalfe Street, Suite 812
Ottawa, Ontario
K1A 1E3

Attn: Mrs. Suzanne Labbé, Executive Director

Dear Members of the Commission:

Re: **Earnings Equivalent to the Judicial Annuity**

As requested, we have estimated, for lawyers in private practice, the portion of their earnings that would be needed each year to accumulate, in RRSPs and in after-tax savings, the funds necessary to generate retirement income comparable to the employer paid portion of the judicial annuity. A similar analysis was made in 2000 for the Drouin Commission.

The value of the judicial annuity as determined in our February 14, 2012 letter represents the discounted value of expected future pension benefit payments using a discount rate deemed appropriate for compensation benchmarking purposes. Income tax rates are not factored into these calculations.

On the other hand, for purposes of the current determination of the earnings equivalent, we take a prospective approach assuming a long term rate of return on investments and taking into account the applicable income tax rates and RRSP contribution limits. The result of this exercise provides a measure of the fiscal advantages derived from the judicial annuity.

The following table shows the estimated gross earnings that a lawyer in private practice currently age 50 must allocate every year so that, once the maximum contributions are made to his or her RRSP and income taxes are paid on the balance of such earnings, the lawyer can accumulate in a TFSA and other savings arrangements, the funds necessary to generate retirement income comparable to the employer paid portion of the judicial annuity.

| | Required Gross Earnings as a Percentage of the Judicial Salary | Required Gross Earnings in Current Dollar Terms |
|------------|--|---|
| 2012 Study | 61% to 71 % | \$ 170,000 to \$ 200,000 |
| 2000 Study | 55% to 70% | \$ 95,000 to \$ 120,000 |

