



August 22, 2011

**PRIVATE AND CONFIDENTIAL**

Mr. Dan Cable  
Director of Policy and Communications  
Department of Justice  
Government of Yukon  
Box 2703  
Whitehorse, YK Y1A 2C6

**RE: 2011 YUKON JUDICIAL COMPENSATION COMMITTEE – BUY-BACK OF PRIOR SERVICE FOR THE SENIOR PRESIDING JUSTICE OF THE PEACE FOR YUKON**

Dear Dan:

Further to your request, I am writing to confirm our estimates for the costs involved in buying back prior service for the Senior Presiding Justice of the Peace ("SPJP") under the Territorial Court Judiciary Pension Plan ("Judiciary Pension Plan" or "Plan").

You asked us to evaluate the costs to the SPJP and to the Yukon Territorial Government ("YTG") to buy back service for the SPJP between July 1, 1994 and March 31, 1996.

Please note that the SPJP's service date is written into the legislation, so a change would require an amendment to the Territorial Court Judiciary Pension Plan Act, 2003.

**Data, Assumptions and Methods**

Our estimates are based on the understanding that the SPJP will contribute the full estimated cost of purchasing the prior service. We have determined that a portion of this payment will be a qualified contribution to the registered portion of the Judiciary Pension Plan (the "RPP") and the remainder will be contributed to the Retirement Compensation Arrangement provided under the Plan (the "RCA"). A summary of the terms of the Plan is provided in Appendix A.

In estimating the costs provided herein, we have used the data and actuarial assumptions and methods outlined in Appendix B. Note that our assumptions have now been updated to be consistent with the going concern funding assumptions being used in the actuarial valuation of the Judiciary Pension Plan as at March 31, 2011.

**Buy-back of Prior Service*****Cost to SPJP***

We have determined that the cost of providing the additional service would be \$134,400. This contribution would be made by the SPJP, with \$62,500 being contributed to the RPP and \$71,900 being contributed to the RCA. These costs are as of March 31, 2011. The amounts should be increased with assumed interest, at 5.5% for the RPP contribution and 2.75% for the RCA contribution, to the actual date of payment.

The SPJP will need to ensure either that he has sufficient RRSP room to cover the contribution to the RPP, or that he makes the contribution by way of a qualifying transfer from his RRSP.

***Cost to YTG***

The amounts provided above represent the full estimated cost of providing the additional service. As such, there is no expectation of any additional costs to YTG other than administrative costs (e.g., receiving and depositing the additional contribution, updating records, etc.), which should be minimal.

However, once the contribution is made and the service granted, YTG will be responsible for any subsequent losses, or gains, in the pension plan. These would arise from actual experience differing from the assumptions outlined in Appendix B. As examples:

- net return on invested assets might be less, or more, than the 5.5% assumed;
- the SPJP may receive salary increases that are greater, or less, than the increases assumed;
- inflation (and therefore pension increases) may be more, or less, than the 2.5% assumed;
- the SPJP, and/or his spouse, may live longer, or shorter, than the life expectancy implicit in the mortality assumption; or
- the SPJP may retire at a different date from that assumed.

Costs to YTG, if losses do occur, would involve additional contributions to the RPP, which would be revealed in subsequent actuarial valuations, and/or additional payments from consolidated revenue after the SPJP retires.

**Actuarial Certification**

In my opinion:

- the data provided for these estimates is sufficient and reliable for the purposes of the calculations;
- the assumptions used are adequate and appropriate for the purposes of the calculations; and
- the methods employed are consistent with sound actuarial principles.

This report has been prepared and my opinions given in accordance with accepted actuarial practice.

Yours truly,



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## Appendix A—Yukon Judiciary Pension Plan

The SPJP in the Yukon is a member of the Territorial Court Judiciary Pension Plan ("Judiciary Pension Plan"). The Judiciary Pension Plan is a contributory defined benefit pension plan. Benefits under the Judiciary Pension Plan are paid from three tiers:

1. a registered pension plan ("RPP") which pays a 2% benefit on years of credited service and the member's highest five consecutive years of pensionable earnings up to the Income Tax Act limit, with a reduction after age 65 roughly equivalent to what the member would receive from Canada Pension Plan;
2. a Retirement Compensation Arrangement ("RCA") which provides for contributions to an RCA account and pays benefits under the Act in excess of those provided by the RPP to the extent that funds are available in the member's RCA account;
3. an unfunded plan ("top-up plan") which tops up benefits to 3% on years of credited service and the member's highest two consecutive years of pensionable earnings and is payable from consolidated revenue after RCA funds are exhausted.

In total, under the Judiciary Pension Plan, the annual amount of pension payable to a member equals 3% of the average of the member's pensionable earnings over the 24 months during which pensionable earnings are highest, multiplied by the member's pensionable service. The pension is limited to a maximum of 70% of those earnings, and the normal retirement age is the first day of the month following the member's 60<sup>th</sup> birthday.

The pension is payable for the member's lifetime. If the member has a spouse at the time of retirement, a survivor pension equal to 60% of the member's pension is payable to the spouse in the event of the member's death. All pensions payable under the Judiciary Pension Plan are indexed to reflect increases in the Consumer Price Index.

Plan members are required to contribute 7.0% of pensionable earnings. Members' contributions are deposited to the RPP to the extent permitted by the *Income Tax Act* (Canada). Contributions in excess of the RPP limit are deposited to the RCA.

The Yukon Territorial Government funds all benefits in excess of those provided by member contributions.



## Appendix B—Data and Actuarial Assumptions and Methods

### Data

Date of Birth:	July 7, 1953
Pensionable Service Date:	April 1, 1996
Salary as at April 1, 2009	\$116,169

### Actuarial Assumptions and Methods

The assumptions and actuarial method used in our analysis are summarized in the following table. These assumptions and methods have been proposed by Aon Hewitt as representing appropriate assumptions for the purpose of estimating the cost of benefits under the Judiciary Pension Plan for the purposes of this estimate of the cost to buy back service for the SPJP.

#### ***Economic Assumptions***

Assumed Rate of Return on Invested Plan Assets	5.50% per annum (no investment return is assumed for 50% of the RCA contributions, which are held by the Canada Revenue Agency in a refundable tax account)
Implies:	
Liability Discount Rate for RPP	5.50% per annum
Liability Discount Rate for RCA	2.75% per annum
Annual Rate of Increase in Salaries	2.00% each April 1 for 2010, 2011 and 2012; 3.00% each April 1 thereafter
Annual Rate of Increase in CPI	2.50% per annum

#### ***Demographic Assumptions***

Mortality	UP 1994 with generational mortality improvements
Termination	None prior to retirement
Retirement	At age 60
Proportion with Spouse	The member will have a spouse at retirement. The spouse is assumed to be 3 years younger.

#### ***Actuarial Method***

Actuarial Method	Projected Unit Credit Actuarial Cost Method
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