



June 15, 2011

Mr. Dan Cable
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Government of Yukon
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**RE: 2011 YUKON JUDICIAL COMPENSATION COMMITTEE – RECOMMENDATIONS
CONCERNING COMPENSATION ADJUSTMENTS FOR THE SENIOR PRESIDING
JUSTICE OF THE PEACE FOR YUKON**

Dear Dan:

Further to your request, we are providing you with our review and actuarial opinion on the compensation adjustments proposed for the Senior Presiding Justice of the Peace ("SPJP").

Comparison with Remuneration for JPs in Other Jurisdictions

We have been asked to compare the value of the compensation package provided to the SPJP with the remuneration paid to a Justice of the Peace in British Columbia, Alberta and Saskatchewan. The table provided in Appendix A gives this comparison.

Some key observations:

- We provided market perspectives for April 1, 2010 and April 1, 2011 to provide market comparisons for key dates for Yukon.
- The data provided related to various time periods. Consideration was given to adjusting ("aging") the amounts presented to ensure data comparators were relative to the specific time periods. The aging assumptions are outlined in the table; given the circumstances, adjustments warranted were 0%.
- The current Yukon base salary rate is higher than BC, Saskatchewan and Alberta.
- The trend seems to be towards restraint and/or conservative adjustments.
- Pension and/or benefit arrangements are common but vary from jurisdiction to jurisdiction.

Note that the total remuneration includes other benefits in addition to the salary, pension benefits and annual allowances shown in the table. The scope of this analysis, however, is limited to those that are more readily quantified: salary, benefits, pensions and annual allowances.

Salary

Effective April 1, 2009, the SPJP's salary is \$116,169. The increases to the SPJP's salary proposed at this time are 2% each year for the next three years, i.e., effective April 1 of 2010, 2011 and 2012.

Life and Health Benefits

In all jurisdictions considered, a comprehensive benefits program is provided. For simplicity of comparison, we have used a factor of 10% of salary as a proxy for the value of the benefits program. This is based on industry averages.

Pension Benefits

See Appendix B for details of the terms of the pension benefits provided to Justices of the Peace in the Yukon, British Columbia, Alberta and Saskatchewan.

Value of SPJP's Pension Benefits

Since the pension plans provided to Justices of the Peace in the Yukon and in British Columbia are defined benefit pension plans, the value of the pension benefits depends on a number of future contingent factors that determine the amount of benefits received by the member and the member's spouse. These include the member's retirement date, salary at retirement, future inflation and mortality. Determining the value of benefits requires an actuarial valuation that involves making assumptions to determine the expected present value of the member's pension at retirement, discounting this value to the current date and then allocating this present value over the member's pensionable service.

Appendix A provides the estimated value of the government-provided portion of the SPJP's pension benefits given the proposed salary increases.

Data, Assumptions and Methods

In addition to the salary data described in the "Salary" section of this letter, we have used the data and actuarial assumptions and methods outlined in Appendix C in our analysis of the SPJP's pension benefits.

Buy-back of Prior Service

You also asked us to determine the value of buying back service between July 1, 1994 and March 31, 1996. We have determined that this value would be \$94,000, based on the assumptions outlined in Appendix C. However, please note two issues associated with such a buy-back:

- If such a buy-back were to occur, then the actual cost of providing the additional pension would be greater than \$94,000, as we expect that the entire amount would have to be paid outside the registered portion of the plan. As such, investment returns would not be tax sheltered and the return assumption would have to be about half of the 6% assumption shown in Appendix C. We have not yet estimated the cost if this buy-back were intended to be cost neutral to the plan.
- 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.

Actuarial Certification

In our opinion:

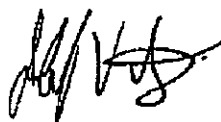
- the information used in this report is sufficient and reliable for the purposes of the calculations;
- the assumptions used are adequate and appropriate for the purposes of the calculations; and
- the methods employed are consistent with sound actuarial principles.

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

Yours truly,



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KJH/jv:st
Enclosure



APPENDIX B – TERMS OF PENSION BENEFITS

Yukon

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 composed of a registered pension plan ("RPP") which provides benefits up to the limits under the Income Tax Act and a Top-Up plan which provides benefits in excess of the limits under the Income Tax Act.

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.

The normal retirement age under the Judiciary Pension Plan is the first day of the month following the member's 60th 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. The values shown in the table reflect the government contributions only and exclude the members' contributions.

The RPP component of the Judiciary Pension Plan provides benefits similar to the pension benefits under the federal Public Sector Pension Plan and the plan applicable to Justices of the Peace in B.C. (see below).

British Columbia

Justices of the Peace in B.C. are members of the B.C. Public Service Pension Plan ("B.C. PSPP"). The B.C. PSPP is a contributory defined benefit registered pension plan ("RPP") which provides benefits up to the limits under the Income Tax Act.

Under the B.C. PSPP, the annual amount of pension payable to a member prior to age 65 equals 2% of the average of the member's pensionable earnings over the 60 months during which pensionable earnings are highest, multiplied by the member's pensionable service. After age 65, an offset is deducted from the pension payable, equal to 0.65% of the member's average pensionable earnings up to the Canada Pension Plan ("CPP") maximum, multiplied by pensionable service. The pension is limited to a maximum of 70% of average earnings.



The normal retirement age under the B.C. PSPP is the first day of the month following the member's 65th birthday. At age 60, with over 2 years of service, the member can retire with an unreduced pension.

The pension is payable for the member's lifetime, guaranteed for at least 10 years. All pensions payable under the B.C. PSPP are indexed to reflect increases in the Consumer Price Index to the extent such increases can be funded by the member and government contributions allocated to the inflation adjustment account.

Plan members are required to contribute 7.78% of pensionable earnings up to the CPP maximum, and 9.28% of pensionable earnings above. The values shown in the table reflect the government contributions only and exclude the members' contributions.

Alberta

Justices of the Peace in Alberta receive a contribution to a defined contribution plan equal to 10% of the member's salary.

Saskatchewan

Justices of the Peace in Saskatchewan belong to the Public Employees Pension Plan ("PEPP") which is a defined contribution pension plan. Members contribute 5% of salary, and the government contributes 7% of the member's salary.



APPENDIX C – DATA AND ACTUARIAL ASSUMPTIONS AND METHODS

Data

Date of Birth:	July 7, 1953
Pensionable Service Date:	April 1, 1996

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 and the B.C. Public Service Pension Plan for the purposes of this total compensation review.

Economic Assumptions

Liability Discount Rate	6.0% per annum
Annual Rate of Increase in Salaries	2.0% each April 1 for 2010, 2011 and 2012; 3.0% each April 1 thereafter
Annual Rate of Increase in CPI	2.5%

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.

Demographic Assumptions

Actuarial Method	Projected benefit method prorated on services. The projected benefit method prorated on services recognizes benefit costs on an ongoing basis assuming an equal portion of the total estimated future benefit accrues for each year of pensionable service.
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