

Estimated Compensation Value of Judicial Annuity

Regarding Lawyers in Private Practice

We have calculated, on the basis of the actuarial assumptions attached herewith, the additional salary that would be required to accumulate in RRSPs and after-tax savings the funds necessary to provide a retirement income equivalent to the judicial annuity (plus the compensation value of the supernumerary status) on an after-tax basis, for a judge appointed at the age of 50.

On this basis, the additional 1997 salary was estimated, for a male judge, to be within a range of \$95,000 to \$120,000 determined as 55% and 70%, respectively, of the adjusted 1997-98 salary of \$172,000, including the 4.1% adjustment effective April 1, 1998 pursuant to Bill C-37. The value of the annuity would be slightly higher for a female judge.

The above additional salary requirement would apply to a lawyer in private practice between the ages of 50 and 65/70 who does not have access to pension benefits other than those funded through his or her RRSP and after-tax savings.

Regarding DM-3s

For judges and DM-3s appointed at the same age and serving for the same period, we have calculated the additional salary as a percentage of pay, required to accumulate in after-tax savings funds necessary to provide a retirement income equivalent to the difference between the judicial annuity and the DM-3 pension (and special retiring allowance where applicable), on an after-tax basis as follows:

Appointment Age	Male Judge Retiring at 65	Male Judge Retiring at 70	Female Judge Retiring at 65	Female Judge Retiring at 70
50	25%	25%	26%	26%
45	10%	4%	11%	4%
40	2%	Nil	2%	Nil

These estimates have been prepared on the basis of the attached actuarial assumptions, and assuming a salary of \$200,000 in 2000.

The DM-3s' special retiring allowance was taken into account for the 10 year maximum, thus adding to the regular DM-3 pension a retiring allowance of 20% of the best 5 year average earnings.

The additional salary required to finance the difference in pension benefits was assumed to accumulate exclusively in after-tax savings as DM-3s have very little RRSP contribution room left.

The comparison takes into account the contribution rates of judges and DM-3s (7% and 7.5% respectively) toward their pension benefits.

Summary Description of Actuarial Assumptions

Inflation Rate: 3% per annum

Salary Increases: 4% per annum

Interest Rate: 7.5% per annum

We have assumed that, for income tax purposes, funds accumulating outside of RRSPs would earn investment income made up of 50% interest, 25% dividends and 25% capital gains. For the sake of simplicity, we have also assumed that the marginal tax rate is 50% for all judges, regardless of the province of residence.

Retirement Age: 65 or 70

We have assumed that 2/3rd of judges who retire at 70, elect supernumerary status at age 65 and maintain a 50% workload during the five year period between age 65 and 70.

Mortality: We have assumed, for the sake of simplicity, no mortality before retirement and mortality rates after retirement equal to 80% of the 1983 Group Annuity Mortality table for males and 90% of the rates in the same table for females.

Proportion Married: We have assumed that 90% of male members and 80% of female members would be married at retirement and that the male spouse would be 3 years older than the female spouse.