



Office of the Superintendent of
Financial Institutions Canada

Bureau du surintendant des
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Office of the Chief Actuary

Bureau de l'actuaire en chef



ACTUARIAL REPORT

on the Pension Plan for the

FEDERALLY APPOINTED JUDGES

as at 31 March 2010

Office of the Chief Actuary

Office of the Superintendent of Financial Institutions Canada

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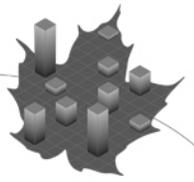
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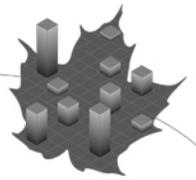
The Honourable Stockwell Day, P.C., M.P.
President of the Treasury Board
Ottawa, Canada
K1A 0R5

Dear President:

Pursuant to section 6 of the *Public Pensions Reporting Act*, I am pleased to submit this report on the actuarial review as at 31 March 2010 of the pension plan established under the *Judges Act*.

Yours sincerely,

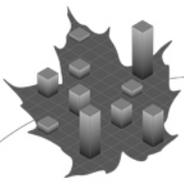
Jean-Claude Ménard, F.S.A., F.C.I.A.
Chief Actuary

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I. Executive Summary

This actuarial report on the pension plan for the Federally Appointed Judges, established under the *Judges Act*, was made as at 31 March 2010 pursuant to the *Public Pensions Reporting Act* (PPRA). The plan is financed through the Consolidated Revenue Fund (CRF) primarily on a pay-as-you-go basis rather than being financed on a funding basis¹ as are the other major pension plans sponsored by the Federal Government. The previous review was made as at 31 March 2007. The date of the next review has been revised to 31 March 2012.

A. Purpose of the Report

The purpose of this actuarial report is to show estimates as at the valuation date of plan contributions in accordance with the financing arrangement in effect.

As well, the PPRA requires that the plan be valued as if it were a funded plan. Accordingly, this report shows theoretical estimates of the balance sheet, projected current service costs, and deficit-amortization payments.

B. Changes since the Last Valuation

The previous valuation report was based on the plan provisions as they stood as at 31 March 2007. There have been no changes to the plan provisions since the previous valuation. This valuation report is based on the plan provisions shown in Appendix 1.

The economic, mortality, pensionable disability and new entrants assumptions were revised for this valuation. These changes are discussed in Appendices 5 and 6.

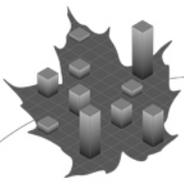
C. Main Findings

- The combined contributions of the government and the judges are estimated to be \$114.2 million in the 2011 plan year², or 38.2% of payroll if they are expressed as a percentage of expected payroll, and increase to \$120.4 million in plan year 2012 and to \$127.1 million in plan year 2013.
- If the plan were funded in a similar manner³ as the other major pension plans sponsored by the government,
 - the current service cost would be 39.4% of payroll for plan year 2011 and the following two plan years; and
 - the plan deficit as at 31 March 2010 would be \$2,066 million, being the difference between assets of \$159 million and liabilities of \$2,225 million. If this deficit were amortised over 15 years it would involve annual instalments of \$193 million.

¹ A pension plan is said to be *funded* if the contributions are made well in advance of the benefit payments they are intended to cover. A funded pension plan has a funding vehicle, i.e. a pension fund is established to earn investment returns.

² Any reference to a given *plan year* in this report should be taken as the 12-month period ending 31 March of the given year.

³ The pension plan established under the *Judges Act* is not a registered pension plan under the *Income Tax Act* as are the other major federal public sector pension plans; therefore benefits in excess of certain limits as described in the *Income Tax Act* were not treated as being provided under retirement compensation arrangements.



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II. Projected Contributions

The following projected deemed and actual contributions¹ are based on the data described in Appendix 3 and the assumptions described in Appendices 5 and 6.

A. Consolidated Revenue Fund Contributions

Except for the minor Supplementary Retirement Benefits (SRB) Account component described in section B, the government finances the plan through the Consolidated Revenue Fund (CRF) on a pay-as-you-go basis. Benefits are paid out of the CRF when due. The following table shows the projected benefits of the plan with the corresponding judges' contributions to the CRF and deemed government contributions (CRF debits). The deemed government CRF contributions are equal to benefits paid less judges' CRF contributions. Judges contribute 6% of salary to the CRF if not eligible for an immediate (unreduced) annuity.

Table 1 CRF Contributions and Benefits

Plan Year	Benefits (\$ millions)	Judges Contributions (\$ millions)	Deemed Government Contributions (\$ millions)
	(A)	(B)	(A - B)
2011	108.2	13.4	94.8
2012	114.2	13.8	100.4
2013	120.7	14.3	106.4
2014	127.7	14.6	113.1
2015	135.2	15.0	120.2
2020	179.9	19.4	160.5
2025	241.8	25.6	216.2

B. Supplementary Retirement Benefits Account Contributions

The plan's only financing vehicle is the SRB Account, into which minor prescribed contributions are credited. Judges appointed after 16 February 1975 contribute 1% of payroll and the government matches those contributions. The deposits would normally finance a material portion of the cost of the benefit indexation provision but in practice are effectively locked in the Account by a legislative anomaly². The following table shows the projected judges' contributions to the SRB Account and the corresponding government matching contributions.

¹ These long-term projections are shown for illustrative purposes only. Deviations from expected experience will likely occur; therefore more credibility should be given to the short-term figures.

² Practically the only events to trigger a debit from the Account are the death (with no survivor) or nonvested termination of a judge appointed after 16 February 1975. Moreover, when such a death or termination occurs, only the judge's own accumulated contributions are returned, leaving the government's matching contributions in the Account.

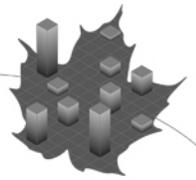


Table 2 SRB Account Contributions

Plan Year	Judges (\$ millions)	Government (\$ millions)	Total (\$ millions)
2011	3.0	3.0	6.0
2012	3.1	3.1	6.2
2013	3.2	3.2	6.4
2014	3.4	3.4	6.8
2015	3.5	3.5	7.0
2020	4.4	4.4	8.8
2025	5.5	5.5	11.0

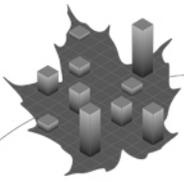
C. Summary of Total Plan Contributions

Table 3 shows the total projected contributions as well as the ratio of the government contributions to the judges’ total contributions. Table 4 shows the allocation of costs for the CRF and the SRB Account if they are expressed as a percentage of the expected payroll.

Table 3 Total Government and Judges’ Contributions

Plan Year	Judges (\$ millions)	Government (\$ millions)	Total (\$ millions)	Ratio Gov./Judges
2011	16.4	97.8	114.2	6.0
2012	16.9	103.5	120.4	6.1
2013	17.5	109.6	127.1	6.3
2014	18.0	116.5	134.5	6.5
2015	18.5	123.7	142.2	6.7
2020	23.8	164.9	188.7	6.9
2025	31.1	221.7	252.8	7.1

The initial ratio of government to judges’ contributions of 6.0 raises gradually throughout the projection period as the cash requirements of the plan increase. By the 2025 plan year, the government is estimated to contribute 7.1 times as much as the judges.

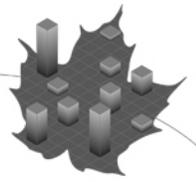


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Table 4 Allocation of Contributions as a Percentage of Payroll

Plan Year	CRF		SRB Account		Total
	Judges	Government	Judges	Government	
2011	4.5%	31.7%	1.0%	1.0%	38.2%
2012	4.5	32.4	1.0	1.0	38.8
2013	4.4	33.0	1.0	1.0	39.4
2014	4.3	33.6	1.0	1.0	40.0
2015	4.3	34.2	1.0	1.0	40.5
2020	4.4	36.5	1.0	1.0	42.9
2025	4.7	39.3	1.0	1.0	45.9



III. Actuarial Review of Pension Plan

As mentioned in the previous sections, the plan is financed primarily on a pay-as you-go basis. If it were funded in the same manner as the other major federal public sector pension plans, a pension fund would be established and credited with:

- current service cost contributions, determined by the President of the Treasury Board based on the most recent Cost Certificate;
- deficit amortization payments, determined by the President of the Treasury Board based on the most recent Cost Certificate; and
- the plan's notional assets equal to the SRB Account balance.

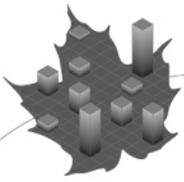
The new pension fund would be charged with all benefit payments made in accordance with the plan provisions.

This actuarial review was conducted assuming that such a pension fund has been established and that all plan assets would be invested in long-term government bonds.

Another feature that differs from the other major public sector pension plans is that the plan benefits generally do not vary by length of service. To allow use of the projected accrued benefit actuarial cost method (used in the actuarial valuations of the other federal public sector pension plans), it was necessary to express each judge's projected benefit in unit credit terms, for each type of benefit. The method used is fully described in Appendix 4.

The following results and current service costs required by the *Public Pensions Reporting Act* are purely hypothetical because the plan lacks a true funding vehicle to accept and accumulate contributions.

The current service costs, assets and liabilities were computed using the notional assets described in Appendix 2, the data described in Appendix 3, the methodology described in Appendix 4, and the assumptions described in Appendices 5 and 6. Emerging experience, differing from the corresponding assumptions, will result in gains or losses to be revealed in subsequent reports.



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A. Balance Sheet

Table 5 Balance Sheet

(\$ millions)

	As at 31 March 2010	As at 31 March 2007
Balance in SRB Account	159	129
Actuarial Deficit	<u>2,066</u>	<u>1,805</u>
	2,225	1,934
Actuarial Liabilities		
For benefits accrued by, and in respect of, judges	1,152	1,049
For benefits payable to, and in respect of:		
• Retirement pensioners	800	642
• Disability pensioners	73	70
• Surviving dependants	200	173
Total Liabilities	2,225	1,934

B. Cost Certificate

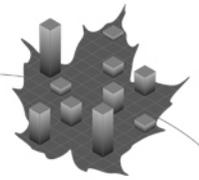
1. Current Service Costs

The following current service costs¹ are expressed as a dollar amount as well as a percentage of the projected payroll in each given plan year.

Table 6 Projection of Current Service Costs

Plan Year	\$ Millions	% of Payroll
2011	118	39.4
2012	122	39.4
2013	127	39.4
2014	133	39.5
2015	139	39.6
2020	177	40.1
2025	225	40.8

¹ These long-term projections are shown for illustrative purposes only. Deviations from expected experience will occur; therefore more credibility should be given to the short-term figures.



2. Summary Balance Sheet

The assets of the plan were \$159 million as at 31 March 2010. The total liabilities as at the same date are estimated at \$2,225 million, leaving an actuarial deficit of \$2,066 million. If this deficit were amortised over 15 years it would involve annual instalments of \$193 million (corresponding to 65% of payroll for the 2011 plan year), which was estimated using the projected interest valuation rates shown in Table 11 of Appendix 5.

C. Reconciliation of Results with Previous Report

This section reconciles the actuarial deficit and current service cost with the corresponding items of the previous valuation. The items shown in the following table are explained herein afterward.

Table 7 Reconciliation of Results

	Actuarial Deficit (\$ millions)	Current Service Cost (% of payroll)
As at 31 March 2007	1,805	38.4
Interest on deficit	255	
Expected current service cost change	<u> </u>	<u>1.1</u>
Expected as at 31 March 2010	2,060	39.5
Benefit payments borne by CRF	(309)	
Cost/contributions difference	335	
Experience gains and losses	(19)	0.0
Revision of valuation assumptions	(5)	(0.1)
Data updates	4	
As at 31 March 2010	2,066	39.4

1. Interest on Deficit

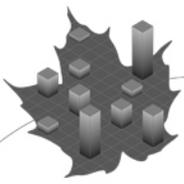
The interest to 31 March 2010 on the deficit of \$1,805 million as at 31 March 2007 amounted to \$255 million, based on the interest rates assumed in the previous report for the three-year intervaluation period.

2. Expected Current Service Cost Change

The gradual increase in the current service cost projected in the previous report (for plan years 2008 to 2010) mainly reflected a partial transition from the current to the ultimate economic assumptions and, to a minor degree, the expected changes in the demographic characteristics of the judges population.

3. Benefit Payments Borne by the Consolidated Revenue Fund

The Consolidated Revenue Fund bears the cost of all benefits paid to or in respect of a member, except for the negligible amounts charged to the SRB Account. Because the benefits paid during the intervaluation period were borne by the CRF exclusively the deficit decreased by \$309 million.



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4. Cost/Contributions Difference

In accordance with the previous Cost Certificate, the current service cost for the intervaluation period of three years was \$353 million. However, the contributions and credits made to the sole financing vehicle (i.e. the SRB Account) amounted to only \$18 million. This cost/contributions difference caused the deficit to rise by \$335 million.

5. Experience Gains and Losses

Since the previous valuation, experience gains or losses have decreased the deficit by \$19 million. The net impact of the experience gains or losses is nil on the current service cost. The main items are shown in the following table.

Table 8 Experience Gains and Losses

	Impact on Actuarial Deficit (\$ millions)	Impact on Current Service Cost (% of payroll)
Pensionable disabilities	(20)	-
Pension indexing	(12)	-
Salary increases	10	-
Interest rates	(6)	-
Mortality	6	-
Pensionable retirements	(3)	(0.1)
New entrants	2	0.1
Miscellaneous	4	-
Net impact	(19)	0.0

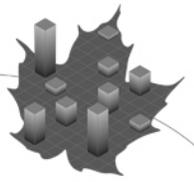
6. Revision of Valuation Assumptions

Actuarial assumptions were revised based on economic trends and demographic experience as described in Appendices 5 and 6. This revision decreased the deficit by \$5 million and decreased the current service cost by 0.1% of payroll.

The impact of these revisions on the actuarial deficit and current service cost is shown below.

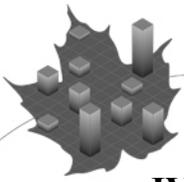
Table 9 Revision of Valuation Assumptions

	Impact on Actuarial Deficit (\$ millions)	Impact on Current Service Cost (% of payroll)
Interest rates	38	1.0
Salary increases	(29)	(0.7)
Pension indexing	(17)	(0.4)
Mortality assumptions	3	-
Net impact of revision	(5)	(0.1)



7. Data Updates

Previous valuation data were updated based on the information received in 2010. These updates resulted in a liability increase of \$4 million as at 31 March 2010.



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IV. Actuarial Opinion

In our opinion, considering that this report was prepared pursuant to the *Public Pensions Reporting Act* which requires that the plan be valued as if it were funded, and that the purpose of this actuarial report is to show estimates of plan contributions in accordance with the financing arrangement (pay-as-you-go basis) in effect,

- the data on which the valuation is based are sufficient and reliable for the purposes of the valuation;
- the assumptions are, in aggregate, appropriate for the purposes of the valuation;
- the methods employed in the valuation are appropriate for the purposes of the valuation; and
- this report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

In particular, this report was prepared in accordance with the Standards of Practice - General Standards and the Practice – Specific Standards for Pension Plans published by the Canadian Institute of Actuaries.

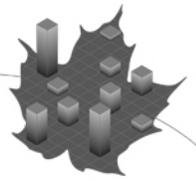
To the best of our knowledge, there were no subsequent events between the valuation date and the date of this report.

Jean-Claude Ménard, F.S.A., F.C.I.A.
Chief Actuary

Mario Mercier, F.S.A., F.C.I.A.
Actuary

Michel Rapin, F.S.A., F.C.I.A.
Senior Actuary

Ottawa, Canada
29 October 2010



Appendix 1 – Summary of Plan Provisions

This summary describes the provisions in force as at 31 March 2010 of the pension plan established under the *Judges Act* (“Act”) and modified under the *Supplementary Retirement Benefits Act*. The first federal statute dealing with pensions for judges was enacted in 1868, with many subsequent amendments. However, the Act shall prevail if there is a discrepancy between the summary and the Act.

A. Membership

Membership in the plan is compulsory for all judges appointed to federal or provincial courts by the Government of Canada.

B. Contributions

1. Judges

Judges appointed before 17 February 1975 contribute 1.5% of salary to the Consolidated Revenue Fund (CRF).

All other judges contribute 1% of salary to the Supplementary Retirement Benefits (SRB) Account, and if not eligible for a full annuity, 6% of salary to the CRF.

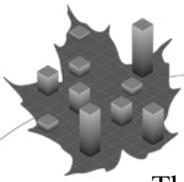
2. Government

The government deemed contributions are the excess of the plan benefits paid from the CRF over the contributions by judges thereto. The government also contributes 1% of salary which is credited to the SRB Account for judges appointed after 16 February 1975.

C. Summary Description of Benefits

The judges pension plan mainly aims at providing an earnings-related lifetime retirement pension to eligible members of the judiciary. The plan also provides pensions to judges in case of disability and to their spouses and children in case of death.

All annuities are indexed annually to the Consumer Price Index (CPI). They are payable in equal monthly instalments in arrears until the end of the month in which the pensioner or the survivor dies. If applicable, either a survivor annuity (Note 9) or a residual benefit (Note 10) is payable upon the death of the pensioner, and a residual benefit may be payable to the estate upon the death of the last survivor.



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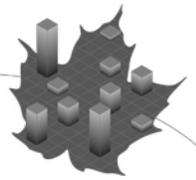
The explanatory notes referred to in this summary description are given in section D.

1. Judges

<u>Type of Termination</u>	<u>Benefit</u>
Normal pensionable retirement (Note 1)	Immediate annuity, reduced pro-rata if under 10 years of service at normal retirement age
Early pensionable retirement (Note 2)	Deferred annuity, or Reduced immediate annuity
Pensionable disability	Immediate annuity
Nonvested termination (Note 4)	Return of contributions (Note 5)
Death leaving no eligible survivor(s) (Notes 6 and 7)	Return of contributions, and Lump sum (Note 8)
Death leaving eligible survivor(s)	Annuity to eligible survivor(s) (Note 9), and Lump sum

2. Pensioners

<u>Type of Termination</u>	<u>Benefit</u>
Death leaving no eligible survivor(s)	Residual benefit (Note 10), if applicable
Death leaving eligible survivor(s)	Annuity to eligible survivor(s)



D. Explanatory Notes

1. Normal Pensionable Retirement

Normal pensionable retirement means ceasing to hold judicial office on reaching normal retirement age of 75 years (70 years for certain judges appointed prior to 1 March 1987) or by satisfying the requirement that the sum of age and service (minimum of 15 years) be at least 80 years or, in respect only of a judge of the Supreme Court of Canada, that service be ten years or more.

An immediate annuity is payable upon retirement, except when a judge who has attained the normal retirement age has held judicial office for less than 10 years, in which case a pro-rated portion of the immediate annuity is payable.

Immediate Annuity¹

Immediate annuity means an annuity that becomes payable immediately upon a normal pensionable retirement or a disability retirement. The initial annual amount of the annuity is equal to two-thirds of the judge's annual salary at the time of ceasing to hold office, or in the case of a supernumerary judge of the then current salary applicable to a higher judicial office, if such higher office was formerly held.

2. Early Pensionable Retirement

Early pensionable retirement means ceasing to hold judicial office and becoming entitled to a deferred annuity or a reduced immediate annuity before normal pensionable retirement by satisfying the requirement that age be at least 55 years with service of 10 years or more.

i) Deferred Annuity

Deferred annuity means an annuity that becomes payable to a former judge who reaches age 60.

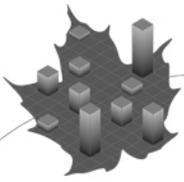
The amount of the deferred annuity is calculated by multiplying two thirds of the amount of the salary annexed to the judge's office at the time of the election multiplied by a fraction of which

- (a) the numerator is the number of years, to the nearest one tenth of a year, during which the judge has continued in judicial office, and
- (b) the denominator is the number of years, to the nearest one tenth of a year, during which the judge would have been required to continue in judicial office in order to be eligible for an unreduced pension.

ii) Reduced Immediate Annuity

Reduced immediate annuity means a reduced annuity that becomes payable immediately upon early pensionable retirement. The initial annual amount of the annuity is equal to the amount of deferred annuity but is reduced by 5% for every year that the annuity commences in advance of age 60.

¹ For purposes of this summary, immediate annuity also includes the return of contributions (Note 5) payable when a pensioner who was appointed as a judge prior to 17 February 1975 first confirms that no survivor annuity would arise in the event of death.



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3. Service

Service means holding the office of judge of a superior or county court or of the Tax Court of Canada, and includes the office of a person who is a deputy judge by virtue of section 60 of the *Federal Court Act*. Superior court is interpreted to include the Supreme Court of Canada; county court includes any district court.

4. Nonvested Terminations

Nonvested termination means ceasing to hold judicial office under any circumstance other than pensionable retirement, pensionable disability, or death.

5. Return of Contributions

Return of contributions means the payment of an amount equal to the accumulated contributions paid into the plan by a judge. Interest is credited at the specified rate each 31 December on the accumulated contributions as at the preceding 31 December. The specified rate is the one applied under the *Income Tax Act* in respect of refunds of overpayments of tax.

6. Eligible Surviving Spouse

A person who was married to the judge at the time of the judge's death or who establishes that he or she was cohabiting with the judge in a conjugal relationship at the time of the judge's death and had so cohabited for a period of at least one year is eligible for a survivor annuity when the judge dies. An annuity may also be granted to a survivor who became a spouse or began to cohabit with the judge in a conjugal relationship after the judge ceased to hold office if the former judge elects to reduce his annuity so that an annuity may be paid to that person.

7. Eligible Surviving Children

Eligible surviving children of a judge or pensioner include each child under age 18 and any child under age 25 who is in full-time attendance at a school or university, having been in attendance substantially without interruption since reaching 18 or, if more recent, since the death of the judge or pensioner.

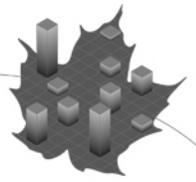
8. Lump Sum

If a judge dies, a lump sum equal to one-sixth of the yearly salary of the judge is paid to the surviving spouse or, if there is no survivor, to the estate or succession of the judge.

9. Annuities to Eligible Survivor(s)

Annuities to the eligible surviving spouse and children of a judge or pensioner become payable immediately upon the death of that judge (pensioner). The annuity to the eligible surviving spouse is equal to one-third of the annual salary of the judge or to one-half of the pensioner's annuity, as applicable at the time of death. An eligible child receives an annuity equal to 20% of the surviving spouse's annuity, subject to reduction if there are more than four eligible children in the same family. The annuity otherwise payable to an eligible child is doubled if that child is an orphan.

A pensioner can elect an enhanced surviving spouse benefit with a maximum of 75% of his pension as actuarially reduced to fund the enhancement.

**10. Residual Benefit**

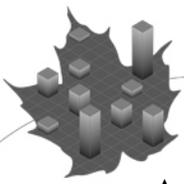
Residual benefit is equal to the amount, if any, by which the return of contributions exceeds the aggregate of all amounts paid to and in respect of a pensioner until the death of the pensioner, or, if applicable, until the subsequent death or loss of eligibility of the last survivor entitled to an annuity.

11. Indexation

All annuities payable under the plan are adjusted every January to the extent warranted by the increase, as at 30 September of the previous year, in the 12-month average CPI. If the indicated adjustment is negative, annuities are not decreased for that year; however, the next following positive adjustment is diminished accordingly. Moreover, the first annual adjustment is prorated to reflect the number of whole months since the date of termination of service.

12. Division of Pension with Former Spouse

Upon the breakdown of a spousal union (including common-law), a lump sum could be transferred by court order or by mutual consent to the credit of the former spouse of a judge or pensioner. The maximum transferable amount would be half of the actuarial value, calculated as at the transfer date, of the retirement pension deemed accrued by the judge or pensioner during the period of cohabitation.



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Appendix 2 – Plan Assets

A. Assets

The only assets of the plan are the individual balances held in the SRB Account in respect of judges appointed after 16 February 1975. Each such balance is the cumulative excess of the prescribed interest credits and SRB contributions over the benefits charged to the SRB Account in respect of the given judge. No formal debt instrument is issued to the Account by the government in recognition of the amounts therein.

B. Interest Credits

Interest is credited quarterly on the minimum monthly balances in the SRB Account at the monthly rate corresponding to the effective annual yield, reduced by 0.125%, available at the end of the month on 5-year Government of Canada bonds.

The rates of return on the Account in plan years 2008, 2009 and 2010 were 4.1%, 2.9% and 2.4% respectively. They were calculated based on the assumption that contributions were made in the middle of the year.

C. Benefits

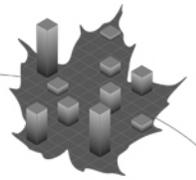
Virtually all benefits under the plan are borne by the CRF when they become due, including all indexation-related payments to pensioners and survivors. Only some minor benefits are charged to the SRB Account, notably the full or partial return of a judge's accumulated SRB contributions (1% of salary) on the death of the judge if there are no eligible survivors or if a judge terminates and is entitled only to a return of contributions.

D. Reconciliation of Balances in the SRB Account

The followings were taken from the Public Accounts of Canada.

(\$ Millions)

Plan Year	<u>2008</u>	<u>2009</u>	<u>2010</u>
Fund Opening Balance	128.8	139.6	149.3
Judges contributions	2.7	2.8	2.9
Government contributions	2.7	2.8	2.9
Interest credits	5.4	4.1	3.6
Fund Closing Balance	139.6	149.3	158.7



Appendix 3 – Membership Data

A. Sources of Membership Data

The Office of the Registrar of the Supreme Court of Canada provided relevant valuation input data on Supreme Court judges and on the corresponding pensioners and survivors. The Office of the Commissioner of Federal Judicial Affairs provided similar data for all other federally appointed judges and for the corresponding pensioners and survivors.

B. Validation of Membership Data

We performed certain tests of consistency with the data used in the previous valuation, with respect to membership reconciliation, basic information (date of birth, date of hire, date of termination, sex, etc.), salary levels, and pensions to survivors and pensioners.

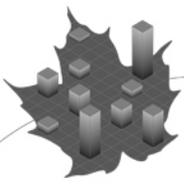
Based on the omissions and discrepancies identified by these and other tests, appropriate adjustments were made to the basic data after consulting with the data providers.

C. Reconciliation of Membership

The following table, derived from the basic data, shows the reconciliation of judges, pensioners, and survivors during the period from April 2007 to March 2010 inclusive. Relevant statistics on contributors, pensioners and survivors and detailed reconciliations are shown in Appendix 7.

Table 10 Reconciliation of Membership

	Judges	Retirement Pensioners	Disability Pensioners	Surviving Spouses	Surviving Children
At 31 March 2007	1,070	417	44	278	10
Data updates	-	-	(1)	2	(2)
New entrants	176	-	-	-	-
Pensionable retirements	(130)	130	-	-	-
Pensionable disabilities	(6)	-	6	-	-
Nonvested terminations	(2)	-	-	-	-
New survivors	-	-	-	62	3
Deaths	(17)	(68)	(5)	(46)	-
Loss of eligibility	-	-	-	-	(2)
At 31 March 2010	1,091	479	44	296	9



Appendix 4 – Methodology

A. Assets

The plan’s assets are deemed equal to the sum of the individual balances in the SRB Account in respect of the judges as shown in the Public Accounts of Canada. The Account:

- consists of notional assets, meaning that no debt instrument has been issued to the Account by the government in recognition of the amounts therein;
- is the only account set up for the plan; and
- is maintained only in respect of a portion of the indexation provision.

B. Actuarial Cost Method

Although the plan provides benefits that do not vary by length of service, the projected accrued benefit actuarial cost method (also known as the projected unit credit) was used, as in the previous valuation, to compute current service costs and actuarial liabilities.

To allow use of the projected accrued benefit actuarial cost method, it was necessary to express each judge’s projected benefit in unit credit terms, for each type of benefit. To do so, the benefit projected in respect of a given judge was considered to have accrued uniformly from the date of the judge’s appointment to the commencement date of that benefit. For example, a retirement pension commencing at age 75 was deemed to accrue at the following rates, expressed as a percentage of salary throughout a judge’s career.

Assumed Annual Accrual Rates

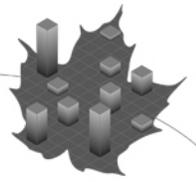
Age at Appointment	Annual Accrual
40	1.9%
45	2.2
50	2.7
55	3.3
60	4.4
65	6.7

Consistent with this cost method, earnings are projected up to retirement using the assumed annual increases in average earnings.

1. Current Service Cost

Under the projected accrued benefit actuarial cost method, the current service cost, also called normal cost, computed in respect of a given year is the sum of the value, discounted in accordance with the actuarial assumptions, of all future payable benefits considered to accrue in respect of that year’s service.

All other things being equal, the current service cost for the total population, expressed as a percentage of total payroll, can be expected to remain stable as long as the average age and service of the total population remains constant.

**2. Actuarial Liability**

The actuarial liability with respect to contributors corresponds to the value, discounted in accordance with the actuarial assumptions, of all future payable benefits accrued as at the valuation date in respect of all previous service. For pensioners and survivors, the actuarial liability corresponds to the value, discounted in accordance with the actuarial assumptions, of future payable benefits.

3. Balancing Item

It is very unlikely that the actual experience will conform to the assumptions that underlie the actuarial estimates. Thus a balancing item must be calculated under this cost method to estimate the necessary adjustments. Adjustments may also be necessary if the terms of the pension benefits enacted by legislation are modified or if assumptions need to be updated.

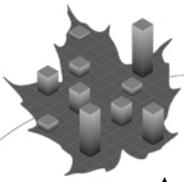
The balancing item (theoretical actuarial deficit) was amortized over 15 years for illustration purposes in this report.

C. Assumed Interest Rates

The rates of interest (see Appendix 5) assumed in computing the present value of benefits involved in the projection of the current service costs and liabilities described in sections B and C above are the assumed new money rates on long-term government bonds. These rates were deemed the best assumption to estimate the government long-term borrowing cost.

D. Membership Data

The membership data shown in Appendix 7 were provided as at 31 March 2010. Individual data on each member were used.



Appendix 5 – Economic Assumptions

A summary of the economic assumptions required for valuation purposes is shown in the following table. These values were derived from the key assumptions. Key and derived assumptions are explained herein afterward.

Table 11 Summary of Economic Assumptions

Plan Year	Inflation (%)		Employment Earnings Increase (%)		Interest (%)
	CPI Increase	Pension Indexing ¹	Industrial Aggregate	Judicial Salaries ²	Valuation Rate
2011	2.0	2.0	2.9	1.6³	4.4
2012	2.0	2.0	3.1	2.7	4.4
2013	2.1	2.0	3.2	3.1	4.7
2014	2.2	2.1	3.4	3.2	5.0
2015	2.3	2.2	3.5	3.4	5.1
2016	2.4	2.3	3.6	3.5	5.2
2017+	2.4	2.4	3.6	3.6	5.2

A. Key Economic Assumptions

The following key economic assumptions are required for valuation purposes.

1. Level of Inflation

Price increases, as measured by changes in the Consumer Price Index, tend to fluctuate from year to year. Based on the renewed commitment of the Bank of Canada and the Government to keep inflation between 1% and 3% until 2011, a rate of price increase at the mid-point of 2.0% has been assumed for plan years 2011 and 2012. Beginning in 2013, the rate is uniformly increased until it reaches an ultimate rate of 2.4% in 2016. The ultimate rate of 2.4% is 0.1% lower than the assumed ultimate rate of 2.5% used in the previous valuation.

2. Average Canadian Wage Increase

The ultimate productivity rate (i.e. increase in average employment earnings in excess of inflation) was assumed at 1.2% per annum. Real increases in average earnings are assumed to rise from 0.9% in plan year 2011 to reach the ultimate 1.2% per annum in 2014. In the previous valuation, the ultimate productivity rate was assumed to be 1.3%.

3. Real⁴ Rate of Return on Long-Term Government of Canada Bonds

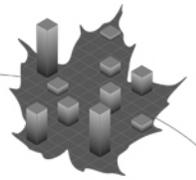
On the basis of the hypothetical Pension Fund holding long-term government bonds, its ultimate real return was assumed at 2.8% (the nominal rate is 5.2%). The real rate of return assumption was 2.85% in the previous valuation. The real rate of return is assumed to rise from 2.4% in plan years 2011 and 2012 to reach the ultimate 2.8% per annum in 2014.

¹ Assumed to be effective as at 1 January.

² Assumed to be effective as at 1 April.

³ Bold figures indicates actual experience.

⁴ Note that all of the real rates of return referred to in this report are actually real-return differentials. This differs from the technical definition of the real rate of return, which, in the case of the ultimate real rate of return assumption, would be 2.73% (derived from 1.052/1.024).



For the period ending December 2009, the following table was prepared based on the Canadian Institute of Actuaries Report on Canadian Economic Statistics 1924-2009.

Period of Years Ending December 2009	15	25	50
Level of Inflation	1.9%	2.5%	4.1%
Real ¹ Increases in Average Earnings	0.4%	0.2%	1.0%
Real ¹ Return on Long-Term Canada Bonds	7.0%	7.4%	3.7%

B. Derived Economic Assumptions

As the key assumptions were changed, it follows that all derived assumptions are also changed for this valuation.

1. Projected Yields on the Fund

These yields are required for the computation of present values of benefits to determine the plan’s actuarial liabilities and current service costs and they are derived from the assumed future level of inflation and the real return on long-term Government of Canada bonds. The assumed yield of 4.4% per annum for plan years 2011 and 2012 is expected to increase gradually to the ultimate rate of 5.2% per annum by plan year 2016. In the previous valuation, the ultimate projected yield was assumed to be 5.35%.

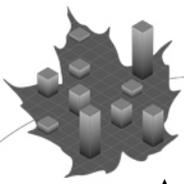
2. Judicial Salary Increase

The judicial salary increase is a key assumption in determining the estimated initial amount of annuity payable to a pensioner or survivor. Judicial salaries are expected to follow the same pattern of increase as the Industrial Aggregate (see foregoing discussion of average Canadian wage increase assumption) to which they are indexed, with a lag of a few months. As in previous valuations, a promotional salary increase scale was not included because elevation to a higher court or to such positions as Chief Justice or Associate Chief Justice occurs only rarely.

3. Increase in Pension Indexing Factor

The year’s pension indexing factor is involved in the valuation process by virtue of its role in the pension inflation adjustments. It was derived by applying the indexation formula described in Note 11 of Appendix 1, which relates to the assumed CPI increases over successive 12-month periods ending on 30 September.

¹ These real rates are calculated after the level of inflation is removed geometrically.



Appendix 6 – Demographic Assumptions

Except where otherwise noted, all demographic assumptions were determined from the plan’s own experience as was done in the past. Assumptions of the previous valuation were updated to reflect the experience of April 2007 to March 2010 to the extent that it was deemed credible.

A. New Entrants

The assumptions that the total judges population will increase by 1% per annum and that there will be an equal number of male and female judges by 2027 were retained. The male judges population is assumed to decrease by 1% per annum from 2011 to 2026 and the female judges population is assumed to rise by 5% in plan year 2011, with smaller increases thereafter until the ultimate increase of 1% is first attained in 2027. By 2027, both the male and female judges populations are assumed to increase by 1 % per annum.

For each sex, the age distribution of the future new judges was based on that of the actual new judges in the April 2007 to March 2010 period. The initial salary of new judges was assumed to be \$271,400 for the 2011 plan year, with increases in future plan years in accordance with the assumption for judges’ salary increases.

B. Nonvested Termination

Rates of nonvested termination are unchanged from the previous valuation. They are 5 per 1,000 judges for the first year on the bench grading down uniformly to the ultimate level of 1 per 1,000 judges after 4 years on the bench. Nonvested terminations rates are assumed to be nil after 10 years on the bench.

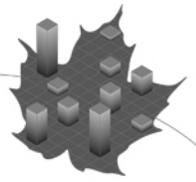
C. Disability Retirement

During the three years ended 31 March 2010, the 2 reported male disabilities amounted to 19% of the 10.7 expected. The disability incidence rates for males were changed from the previous valuation; they are slightly lower than those of the previous valuation at advanced ages. They are unchanged for females; the 4 reported female disabilities amount to 74% of the 5.4 expected disabilities. A sample of pensionable disability rates is shown in the following table.

Table 12 Rates of Pensionable Disability¹
(per 1,000 judges)

Age Last Birthday	Male	Female
40	0.7	1.1
50	2.0	3.0
60	5.9	9.2
70	19.2	30.2
74	31.0	48.3

¹ The rate is set to zero for each plan year in which the sum of the judge’s age last birthday and service last anniversary (minimum of 15 years), both calculated at the beginning of the year, is at least 79 years. As well, it is set to zero for half of the plan year, if any, in which that sum is 78 years or in which that sum is at least 79 years but service last anniversary is only 14 years.



D. Pensionable Retirement

During the three years ended 31 March 2010, the 130 reported pensionable retirements amounted to 98% of the 133.2 expected. Assumed pensionable retirement rates are unchanged from the previous valuation. They are as follows.

Table 13 Rates of Pensionable Retirement¹
(per 1,000 judges)

Age Last Birthday	Completed Years of Service											
	9-13	14	15	16	17	18	19	20	21	22	23	24+
54	5	5	5	5	5	5	5	5	5	5	5	150
55	5	5	5	5	5	5	5	5	5	5	150	150
56	5	5	5	5	5	5	5	5	5	150	150	10
57	5	5	5	5	5	5	5	5	140	150	10	10
58	5	5	5	5	5	5	5	130	150	10	10	10
59	5	5	5	5	5	5	120	140	10	10	10	10
60	5	5	5	5	5	110	130	10	10	20	20	20
61	5	5	5	5	90	120	10	20	20	20	20	20
62	5	5	5	80	100	10	20	30	30	30	30	30
63	5	5	70	90	20	20	30	40	40	40	40	40
64	5	50	80	30	30	30	40	50	50	50	50	50
65	5	60	30	30	40	40	50	50	50	50	60	60
66	5	70	30	60	50	60	50	60	60	60	70	70
67	5	80	30	60	60	60	60	60	60	60	70	70
68	5	90	40	70	70	70	70	70	70	70	80	80
69	5	100	40	80	80	80	80	80	80	80	80	80
70	5	120	40	80	80	80	80	80	80	80	80	80
71	5	130	50	90	90	90	90	90	90	90	90	90
72	5	140	50	90	90	90	90	90	90	90	100	100
73	5	150	50	100	100	100	100	100	100	100	100	100
74 ²	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000

E. Mortality

As in the previous valuation, the mortality assumptions take into account the expected continued future reductions in the rates of mortality at the various ages.

1. Mortality of Judges and Surviving Spouses

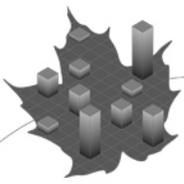
Notwithstanding the relatively small size of the judges and former judges’ population, advanced age at entry and expected retirement past age 70 were deemed to be selective criteria that will have an impact on the mortality of this population. Therefore, the plan’s own experience was used, as in previous valuations, to determine the mortality assumption for male and female judges.

Base mortality rates for male and female judges are not materially changed from the previous valuation; they are as projected in the previous valuation for plan year 2011.

Assumed base rates of mortality for surviving spouses were changed for this valuation.

¹ Rates shown for duration 9 and age 54 are halved in practice to recognize that pensionable retirement can occur only after 10 years of service have been completed or age 55 attained, respectively.

² Retirement becomes compulsory on the 75th birthday.



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The rates applicable to male and female surviving spouses in the 2011 plan year are the corresponding rates, from the actuarial report as at 31 March 2008 on the pension plan for the Public Service of Canada, applicable to surviving spouses. Given the significant size of the survivor population of the pension plan for the Public Service of Canada, it was deemed to be a more appropriate model to determine the mortality assumptions for these small groups.

A sample of mortality rates for judges and surviving spouses for plan year 2011 is shown in the following table.

**Table 14 Rates of Mortality
For 2011 Plan Year**
(per 10,000 individuals)

Age Last Birthday	<u>Judges (and Retirement Pensioners)</u>		<u>Surviving Spouses</u>	
	Male	Female	Male	Female
40	10	7	27	8
50	19	11	41	23
60	53	38	88	50
70	153	121	244	142
80	477	362	659	397
90	1,482	1,132	1,724	1,251
100	3,227	2,761	3,535	3,169
110+	5,000	5,000	5,000	5,000

2. Mortality of Disabled Pensioners

As at 31 March 2010, there were 44 reported disabled pensioners. The mortality rates for disability pensioners are derived by multiplying the assumed mortality rates for healthy members by given factors. The factors are 7.0 up to age 60, then grading uniformly to 3.0 at age 70 and then 1.0 at age 90 and over. These factors are unchanged from the previous valuation.

3. Assumed Mortality Improvement Factors

Mortality rates are reduced in the future in accordance with the same mortality improvement assumption as that made for the actuarial report on the Canada Pension Plan as at 31 December 2006. For both males and females, the improvement factors are the same as those used in the previous valuation.

The ultimate rates of improvement for years 2029 and thereafter were established by looking at trends in Canadian experience over the last 30 years by age and sex. Rates of improvement for plan years 2008 and 2009 are assumed to be those experienced over the last 15 years (1989 to 2004). After 2009, the rates are assumed to reduce gradually to their ultimate levels by year 2029.

A sample of assumed mortality improvement factors is shown in the following table.

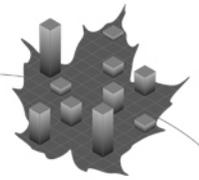


Table 15 Mortality Improvement Factors

Age Last Birthday	Annual % Mortality Rate Reductions ¹			
	Male		Female	
	2011	2029+	2011	2029+
40	1.92	0.70	1.29	0.70
50	1.74	0.70	1.34	0.70
60	2.09	0.70	1.23	0.70
70	2.19	0.70	1.20	0.70
80	1.60	0.70	0.79	0.66
90	0.58	0.40	0.18	0.40
100	0.04	0.40	0.04	0.40
110+	0.00	0.00	0.00	0.00

F. Family Composition

Assumptions for the proportion of members leaving, upon death, a spouse eligible for a survivor pension and the age of the survivor spouse are unchanged from the previous valuation. The number of new widows and widowers (62) was as expected during the three years ended 31 March 2010. They were on average 0.3 year younger than expected.

Assumptions with respect to the number of eligible children and their age are unchanged from the previous valuation. As in the previous valuation, to determine the value of pensions payable to eligible children, the rates of pension termination were assumed to be zero prior to age 17 and 15% per annum thereafter until expiry of the benefit on the 25th birthday.

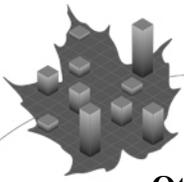
Assumptions for survivor benefits in respect of judges or pensioners are summarized in the following table.

Table 16 Assumptions for Survivor Benefits

Age Last Birthday at Death	Male				Female			
	Eligible Surviving Spouse	Spouse Age Difference ²	Eligible Children		Eligible Surviving Spouse	Spouse Age Difference ²	Eligible Children	
			Number	Avg. Age			Number	Avg. Age
40	0.90	(2)	3.07	12	0.90	3	1.54	14
50	0.95	(3)	1.98	18	0.90	3	0.74	20
60	0.98	(3)	0.47	20	0.83	3	0.07	22
70	0.88	(3)	0.03	21	0.61	2	-	-
80	0.74	(5)	-	-	0.35	0	-	-
90	0.47	(6)	-	-	0.14	(2)	-	-
100	0.17	(9)	-	-	0.02	(7)	-	-
110	0.03	(16)	-	-	0.00	-	-	-

¹ The mortality rate reduction applicable during any year within the 19-year select period is found by linear interpolation between the figures for 2011 and 2029.

² Age of surviving spouse less age of judge or pensioner, both calculated at death of judge or pensioner.



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Other Assumptions

1. Reversals and Recoveries

It is assumed that no pensioners will return to the bench.

2. Minimum Death Benefit

This valuation does not take into account the minimum death benefit in respect of deaths occurring after retirement. The resulting understatement of accrued liability and current service cost is immaterial because relatively few pensioners in the early years of retirement die without leaving an eligible survivor.

3. Special Retirement Provisions

Plan provisions allow certain judges to retire on a full pension before satisfying the normal requirement that the sum of age and service (minimum of 15 years) be at least 80 years. These provisions have been ignored in the valuation because only a handful of judges will retire thereunder.

4. Early Retirement Provisions

It is assumed that judges retiring under the early retirement provisions will choose a reduced immediate annuity.

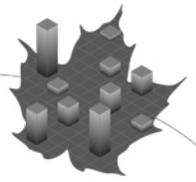
5. Pension Benefits Division / Optional Survivor Benefit / Enhanced Survivor Benefit

No future pension benefits divisions were assumed in estimating current service costs and liabilities. The two actual pension benefit divisions that occurred before 1 April 2010 were fully reflected in liabilities.

Two other provisions, namely the optional survivor benefit and the enhanced survivor benefit, were also treated like pension benefits divisions. Past elections were fully reflected in liabilities.

6. Sex of Surviving Spouses

Each eligible surviving spouse is assumed to be of the opposite sex to that of the member.



Appendix 7 – Detailed Information on Membership Data

Table 17 Reconciliation of Judges

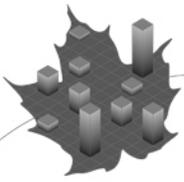
	Male	Female	Total
At 31 March 2007	750	320	1,070
New entrants	127	49	176
Pensionable retirements	(115)	(15)	(130)
Pensionable disabilities	(2)	(4)	(6)
Nonvested terminations	(1)	(1)	(2)
Deaths	(17)	(0)	(17)
At 31 March 2010	742	349	1,091

Table 18 Reconciliation of Retirement Pensioners

	Male	Female	Total
At 31 March 2007	393	24	417
Data updates	-	-	-
New pensioners	115	15	130
Deaths	(65)	(3)	(68)
At 31 March 2010	443	36	479

Table 19 Reconciliation of Disability Pensioners

	Male	Female	Total
At 31 March 2007	37	7	44
Data updates	(1)	-	(1)
New pensioners	2	4	6
Deaths	(5)	-	(5)
At 31 March 2010	33	11	44



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**Table 20 Number of Male Judges
As at 31 March 2010**

Age Last Birthday	Completed Years of Service								Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	
40-44	2	-	-	-	-	-	-	-	2
45-49	22	1	-	-	-	-	-	-	23
50-54	43	26	2	1	-	-	-	-	72
55-59	70	48	28	6	1	-	-	-	153
60-64	50	52	63	43	14	4	-	-	226
65-69	10	18	45	50	25	13	1	-	162
70-74	1	6	22	25	21	22	6	1	104
All Ages	198	151	160	125	61	39	7	1	742

Average age: 62.5 years
 Average service: 11.4 years
 Average salary: \$268,800¹
 Total payroll: \$199,441,100

**Table 21 Number of Female Judges
As at 31 March 2010**

Age Last Birthday	Completed Years of Service							Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	
40-44	7	-	-	-	-	-	-	7
45-49	26	4	-	-	-	-	-	30
50-54	35	33	9	5	-	-	-	82
55-59	14	29	53	21	6	-	-	123
60-64	5	7	26	27	9	3	-	77
65-69	2	1	6	4	6	4	1	24
70-74	1	-	2	1	-	2	-	6
All Ages	90	74	96	58	21	9	1	349

Average age: 57.4 years
 Average service: 10.7 years
 Average salary: \$268,300¹
 Total payroll: \$93,635,300

¹ The average salary and total payroll both exclude the salary increase effective 1 April 2010.

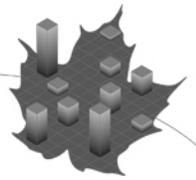


Table 22 Male Pensioners
As at 31 March 2010

Age Last Birthday	Retirement Pensioners			Disability Pensioners		
	Number	Annual Pension		Number	Annual Pension	
		Average (\$)	Total (\$)		Average (\$)	Total (\$)
60-64	5	178,000	890,000	3	161,300	483,900
65-69	13	165,100	2,146,300	2	160,300	320,600
70-74	55	165,300	9,091,500	7	154,600	1,082,200
75-79	175	169,700	29,697,500	12	147,100	1,765,200
80-84	120	155,900	18,708,000	4	138,700	554,800
85-89	51	140,000	7,140,000	3	139,200	417,600
90-94	19	140,100	2,661,900	2	90,000	180,000
95-99	5	147,000	735,000	-	-	-
All Ages	443	160,400	71,070,200	33	145,600	4,804,300

Retirement Pensioners

Average age at 31 March 2010: 79.8 years
Average age at retirement: 72.3 years

Disability Pensioners

Average age at 31 March 2010: 76.9 years
Average age at disability: 62.2 years

Table 23 Female Pensioners
As at 31 March 2010

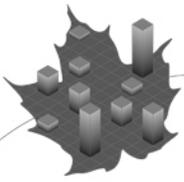
Age Last Birthday	Retirement Pensioners			Disability Pensioners		
	Number	Annual Pension		Number	Annual Pension	
		Average (\$)	Total (\$)		Average (\$)	Total (\$)
55-59	3	151,700	455,100	3	169,600	508,800
60-64	10	158,700	1,587,000	3	175,700	527,100
65-69	5	161,000	805,000	2	154,500	309,000
70-74	3	173,100	519,300	1	136,200	136,200
75-79	5	174,300	871,500	1	133,900	133,900
80-84	5	164,400	822,000	-	-	-
85-89	5	144,600	723,000	1	140,700	140,700
All Ages	36	160,600	5,782,900	11	159,600	1,755,700

Retirement Pensioners

Average age at 31 March 2010: 72.1 years
Average age at retirement: 66.7 years

Disability Pensioners

Average age at 31 March 2010: 66.8 years
Average age at disability: 59.9 years



ACTUARIAL REPORT

Pension Plan for the **FEDERALLY APPOINTED JUDGES**
as at 31 March 2010

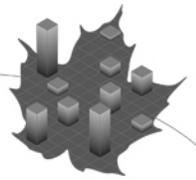
Table 24 Eligible Survivors
As at 31 March 2010

Age Last Birthday	Number	Annualized Amount	
		Average (\$)	Total (\$)
45-49	2	84,700	169,400
50-54	1	87,600	87,600
55-59	6	71,500	429,000
60-64	23	78,100	1,796,300
65-69	13	78,100	1,015,300
70-74	33	79,200	2,613,600
75-79	56	77,000	4,312,000
80-84	66	70,400	4,646,400
85-89	53	66,900	3,545,700
90-94	30	65,800	1,974,000
95-99	10	63,000	630,000
100-104	3	61,600	184,800
Widows ¹	296	72,300	21,404,100
Children	9	20,100	180,900

Average age of spouses:

At 31 March 2010: 80.0 years
At death of member: 68.6 years

¹ All but six surviving spouses are females.

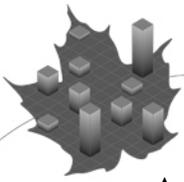


Appendix 8 – Pensioner Mortality Rates for Division of Pension

The following pensioner mortality rates are to be used when a division of pension is requested upon the breakdown of a spousal union. These mortality rates apply to both retirement and disability pensioners. Plan year 2011 mortality rates shown below are projected in accordance with the assumed mortality improvement factors in Appendix 6-E.

Table 25 Pensioner Mortality Rates for Division of Pension
For plan year 2011
(per 10,000 individuals)

Age Last Birthday	<u>Pensioners</u>	
	Male	Female
40	10	7
50	19	11
60	55	40
70	192	160
80	492	362
90	1,482	1,132
100	3,227	2,761
110+	5,000	5,000



Appendix 9 – Acknowledgements

The Office of the Comptroller General of Canada provided the SRB Account balance as at 31 March 2010.

The Office of the Registrar of the Supreme Court of Canada provided relevant valuation input data on Supreme Court judges and on the corresponding pensioners and survivors. The Office of the Commissioner for Federal Judicial Affairs provided similar data for all other federally appointed judges and for the corresponding pensioners and survivors.

The co-operation and able assistance received from the above mentioned data providers deserve to be acknowledged.

The following individuals assisted in the preparation of this report:

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