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Office of the Chief Actuary

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ACTUARIAL REPORT

on the Pension Plan for the

ROYAL CANADIAN MOUNTED POLICE

as at 31 March 2005

Canada

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16 June 2006

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

Dear Minister:

Pursuant to section 6 of the *Public Pensions Reporting Act*, I am pleased to submit the report on the actuarial review as at 31 March 2005 of the Royal Canadian Mounted Police pension plan. This plan is defined by Parts I, III, and IV of the *Royal Canadian Mounted Police Superannuation Act* and the RCMP-related benefits defined by the *Special Retirement Arrangements Act*.

Yours sincerely,

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

TABLE OF CONTENTS

APPENDICES

TABLES

Page

TABLES

Page

I. Executive Summary

A. Introduction

The previous actuarial report on the Royal Canadian Mounted Police (RCMP) pension plan was made as at 31 March 2002. The valuation was in respect of the plan defined by Parts I, III, and IV of the *Royal Canadian Mounted Police Superannuation Act* (RCMPSA) and by the *Pension Benefits Division Act*. The RCMP pension plan is deemed to also include the RCMP-related benefits defined in the *Special Retirement Arrangements Act*.

In the previous actuarial report, a valuation was conducted on a solvency basis for illustration. For this report, the solvency valuation is replaced by two other valuations to measure the investment risks inherent to the RCMP pension plan.

B. Purpose of Actuarial Report

This actuarial report on the RCMP pension plan was made as at 31 March 2005 pursuant to the *Public Pensions Reporting Act* (PPRA). The date of the next periodic review is 31 March 2008.

In accordance with accepted actuarial practice, the main purpose of this actuarial report is to show realistic estimates of:

- the balance sheets of the pension plan as at the valuation date, i.e. the actuarial liabilities, the assets, the actuarial surplus or actuarial deficit of the Pension Fund and the actuarial liabilities of the Retirement Compensation Arrangements (RCA);
- the annual amount to amortize over a period of years any actuarial deficit revealed as at the valuation date; and
- the projected costs of the plan for each of the next three plan years[1] following the valuation date.

C. Main Findings

- As at 31 March 2005, the plan had an actuarial excess of $963.0 million in the Superannuation Account and an actuarial deficit of $60.7 million in the Pension Fund. These amounts are 9.7% and 4.2% of the corresponding liabilities, respectively.
- The actuarial excess of the Superannuation Account is less than 10% of the corresponding liabilities. If the $60.7 million Pension Fund actuarial deficit were to be amortized in 12 equal annual instalments[2] beginning on 31 March 2007, the instalments including interest would be $7.9 million.

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1 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.

2 The deficit is amortized over the expected average remaining service life (EARSL) for the active contributors, which is 13 years as at 31 March 2005, except that the proposed schedule is deemed to begin on 31 March 2007. Special payments are assumed to be made at the end of the plan year.

- The RCMPSA normal cost for the 2006 plan year is 20.56% of pensionable payroll[1], that is $279.5 million, and is estimated to be 20.50% and 20.45% of pensionable payroll for each of the following two plan years, respectively.

D. RCA Results

- As at 31 March 2005 the RCA Account had an actuarial excess of $22.0 million.
- The RCA normal cost for the 2006 plan year is 0.08% of pensionable payroll, which is $1.1 million, and is estimated to remain constant at 0.08% of pensionable payroll for the following two plan years.

[1] Pensionable payroll means the aggregate of pensionable earnings of all contributors with less than 35 years of service.

II. Financial Position of the Plan

A. RCMPSA Valuation Results

Beginning on 1 April 2000, employer and employee contributions to the *Royal Canadian Mounted Police Superannuation Act* (RCMPSA) plan were no longer credited to the RCMP Superannuation Account. Rather, they were deposited in the newly created RCMP Pension Fund to be invested in the financial markets. The valuation results of this section show the financial position for both RCMPSA financing arrangements as at 31 March 2005. A projection of the Superannuation Account is shown in Appendix 9 and a projection of the Pension Fund is shown in Appendix 10.

The following balance sheet was prepared using the assets described in Appendix 4, the data described in Appendix 5, the methodology described in Appendix 6, and the assumptions described in Appendix 7.

Table 1 Balance Sheet
As at 31 March 2005 ($ millions)

	Superannuation Account	Pension Fund
Actuarial Value of Assets[1]	10,909.0	1,374.7
Excess of Actuarial Value of Assets over Actuarial Liabilities	963.0	-
	9,946.0	-
Actuarial Liabilities		
Regular Members		
· Contributors	3,857.4	1,138.9
· Retirement pensioners	4,702.0	121.4
· Disability pensioners	350.6	13.6
· Surviving dependants	229.3	2.5
Civilian Members		
· Contributors	395.6	146.3
· Retirement pensioners	270.8	10.8
· Disability pensioners	40.7	1.6
· Surviving dependants	20.3	0.3
Administrative Expenses	79.3	-[2]
Total Actuarial Liabilities	**9,946.0**	**1,435.4**
Actuarial Surplus/(deficit)	-	(60.7)

[1] Includes the present value of future contributions in respect of elected prior service, which were estimated at $18.5 million for the Superannuation Account and $6.4 million for the Pension Fund.

[2] The administrative expenses are recognized in the year they occur through the calculation of the normal cost.

B. Reconciliation of RCMPSA Valuation Results

This section reconciles each financial position shown in this valuation with the corresponding item of the previous valuation. The items shown in the following table are explained afterward.

Table 2 Reconciliation of Financial Position
($ millions)

	Superannuation Account	Pension Fund
As at 31 March 2002	1,251.6	(5.7)
Data corrections	107.3	(0.1)
Expected interest on initial excess of assets	365.5	(1.2)
Cost/contributions difference	-	61.8
Amounts debited	(438.7)	-
Unrecognized investment gains	-	(73.5)
Experience gains and losses	(199.9)	(25.6)
Changes in assumptions and methodology	(122.8)	(16.4)
As at 31 March 2005	963.0	(60.7)

1. Data Corrections

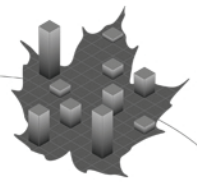
The correction of data (such as coding of status and pension amounts) upon which the 2002 report was based resulted in a decrease of the Superannuation Account actuarial liability of $107.3 million and in an increase of the Pension Fund actuarial liability of $0.1 million.

2. Expected Interest on Initial Excess of Assets over Actuarial Liabilities

The expected interest to 31 March 2005 on the actuarial excess of $1,251.6 million in the Account as at 31 March 2002 amounted to $365.5 million. The expected interest to 31 March 2005 on the actuarial deficit of $5.7 million in the Fund as at 31 March 2002 amounted to $1.2 million. These amounts of interest were based on the Account and the Fund yields projected in the previous report for the three-year intervaluation period.

3. Cost/Contributions Difference

An increase of $61.8 million in the Fund actuarial surplus resulted from the actual government contributions in plan years 2003, 2004 and 2005 being more than the government portion of the normal cost shown in the cost certificate of the previous report. The government contributed 298% of employees' contributions which is greater than the ratio of 274% shown in the previous report. These amounts include interest accumulation on the differences to 31 March 2005.



4. Amounts Debited on Basis of Actuarial Valuation

Legislative provisions grant authority to debit some excess of notional assets over actuarial liabilities from the Superannuation Account. A withdrawal of $406.0 million on 31 March 2004 reduced the assets by $438.7 million after taking interest into account.

5. Unrecognized Investment Gains

An actuarial asset valuation method that minimizes the impact of short-term fluctuations in the market value of assets was used (see Appendix 6), causing the actuarial value of the Pension Fund assets to be $73.5 million less than their market value.

6. Experience Gains and Losses

Since the previous valuation, experience losses have increased the Superannuation Account actuarial liabilities by $199.9 million and have decreased the Pension Fund actuarial surplus by $25.6 million. The main items (in $ millions) are described in the following table.

	Superannuation Account	Pension Fund
Demographic assumptions (i)	22.8	(23.8)
Salary and seniority and promotional increases (ii)	(171.1)	(48.0)
Pension indexation (iii)	(38.9)	(0.3)
Year's maximum pensionable earnings (YMPE) increases	(6.2)	(1.8)
Investment earnings (iv)	1.9	47.3
Administrative expenses	(16.6)	-
Miscellaneous	8.2	1.0
Net experience losses	(199.9)	(25.6)

(i) The net impact of the demographic experience such as mortality, pensionable retirement and other elements decreased the Account actuarial liabilities by $22.8 million and increased the Fund actuarial liabilities by $23.8 million.

(ii) General salary increases granted to Regular Members over the three-year intervaluation period were in aggregate 3.0% higher than expected. These unforeseen increases have increased the Account actuarial liabilities by $101.2 million and the Fund actuarial liabilities by $32.4 million. Seniority and promotional increases have increased the Account actuarial liabilities by $69.9 million and the Fund actuarial liabilities by $15.6 million.

(iii) Over the three-year intervaluation period pension indexation was in aggregate 0.9% higher than assumed in the previous valuation.

(iv) The rates of interest credited to the Account were in aggregate slightly higher than the corresponding projected Account yields in the previous valuation; consequently the experience gain was $1.9 million.

After some difficult times in 2001, 2002 and 2003, financial markets soared in 2004 and 2005. Consequently investment earnings were $47.3 million more than expected.

7. Revision of Actuarial Assumptions

Actuarial assumptions were revised based on economic trends and demographic experience as described in Appendix 7. The impact (in $ millions) of these revisions as at 31 March 2005 is described below.

Assumption	Superannuation Account	Pension Fund
Mortality	4.6	(0.1)
Mortality improvement factors	(7.3)	(2.3)
Pensionable retirements	30.2	12.6
Pension indexation	195.7	2.8
Investment earnings	(282.2)	(1.7)
Salary increases	(28.3)	(15.0)
Seniority and promotional	(20.1)	(10.9)
Administrative expenses	(16.3)	-
Minor items	0.9	(1.8)
Net impact of revisions	(122.8)	(16.4)

The net impact of the revision of the assumptions is largely attributable to the changes in economic assumptions. As described in Appendix 7, except for the assumed real rate of return on the Fund, all economic assumptions made in the previous valuation were revised, with the most important being as follows:

- ultimate level of inflation lowered from 2.7% to 2.5%;
- ultimate real increase in average earnings increased from 0.9% to 1.0%; and
- ultimate yield on the Account lowered from 5.7% to 5.35%.

C. RCMPSA Cost Certificate

The normal costs, assets and liabilities were computed for the RCMPSA portion of the plan using the assets described in Appendix 4, the data described in Appendix 5, the methodology described in Appendix 6, and the assumptions described in Appendix 7. Emerging experience, differing from the corresponding assumptions, will result in gains or losses to be revealed in subsequent reports.

This valuation reflects increases in member contribution rates, announced by the President of the Treasury Board. The increased member contribution rates, described in Appendix 2, are applied in calendar year 2006 and thereafter.

1. Normal Costs

The estimated value of the sum of the benefits that will accrue on behalf of the contributors and the estimated administrative expenses to be charged to the Fund for plan year 2006 is 20.56% of pensionable payroll. The following table shows the details of the normal cost for plan year 2006.

Table 3 Normal Cost for Plan Year 2006
($ millions)

Total normal cost	279.5
Member required contributions	76.1
Government normal cost	203.4
Expected pensionable payroll	1,359.5
Normal cost as % of expected pensionable payroll	20.56%
Ratio of government to member contributions	2.67

The following table reconciles the 2006 normal cost with the 2003 normal cost.

Table 4 Reconciliation of RCMPSA Normal Cost
(% of pensionable payroll)

For plan year 2003	20.17
Data corrections	0.01
Expected normal cost change	0.01
Experience gains and losses	
Mortality	0.01
Economic experience	0.03
Retirement	0.10
New entrants	(0.12)
Minor items	0.03
Changes in assumptions	
Pensionable retirements	(0.19)
Pension indexation	(0.04)
Salary	0.27
Seniority and promotional	0.17
Minor items	0.11
For plan year 2006	20.56

2. Normal Cost by Type of Contributor

The RCMPSA normal cost is the weighted average of the separate normal costs for Regular Members and Civilian Members. For example in the 2006 plan year the overall plan normal cost of 20.56% of pensionable payroll is the composite of 20.80% for Regular Members and 19.00% for Civilian Members. The difference in normal costs is chiefly attributable to the more advantageous early retirement provisions available only to Regular Members.

3. Projection of Normal Costs

The following RCMPSA normal costs are expressed as a dollar amount as well as a percentage of the projected pensionable payroll in each given plan year.

Plan Year	Percentage	Millions of Dollars
2006	20.56	279.5
2007	20.50	288.0
2008	20.45	296.9
2009	20.40	305.9
2010	20.36	314.9
2015	20.18	382.4
2020	20.21	476.0

4. Allocation of Normal Costs

The foregoing projected normal costs are borne jointly by the contributors and the government. Current member contribution rates are 4% up to the Year's Maximum Pensionable Earnings (YMPE) of the Canada Pension Plan (CPP) and 7.5% of salary above the YMPE. Beginning in calendar year 2006, member contribution rates on the salary up to the YMPE will increase by 0.3% per year from 4.3% in calendar year 2006 up to the ultimate level of 6.4% first attained in calendar year 2013. The member contribution rates on salary above the YMPE will also increase by 0.3% per year from 7.8% in calendar year 2006 to the ultimate level of 8.4% first attained in calendar year 2008.

Plan Year	Government (%)	Members (%)	Ratio
2006	14.96	5.60	2.67
2007	14.61	5.89	2.48
2008	14.28	6.17	2.31

On a calendar year basis, the normal cost starting with calendar year 2007 would be as follows:

Calendar Year	Government (%)	Members (%)	Total (%)	Total ($ millions)
2007	14.70	5.82	20.52	285.9
2008	14.36	6.10	20.46	294.7
2009	14.08	6.34	20.42	303.7

5. Administrative Expenses

Based upon the assumptions described in Appendix 7, the Fund administrative expenses (included in the normal costs shown above) are estimated to be $650,000 for plan year 2006, increasing to $785,000 and $930,000 for plan years 2007 and 2008, respectively.

6. Contributions for Prior Service Elections

Based upon the valuation data and the assumptions described in sections B and C of Appendix 7, member and government contributions for RCMPSA prior service elections were estimated as follows.

Table 5 Estimated Contributions for Prior Service
(Dollars)

Plan Year	Superannuation Account		Pension Fund	
	Member	Government	Member	Government
2006	940,000	940,000	560,000	1,500,000
2007	900,000	900,000	690,000	1,710,000
2008	870,000	870,000	820,000	1,890,000

7. Special Payments

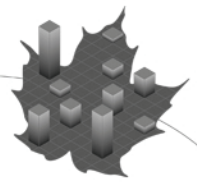
Based upon the Pension fund yields described in Appendix 7, the $60.7 million Pension Fund actuarial deficit could be amortized over the expected average remaining service lifetime (EARSL) of the contributors in 12 equal annual instalments of $7.9 million beginning on 31 March 2007.

D. Sensitivity to Variations in Key Assumptions

The results below measure the effect on the plan year 2006 normal cost, on the actuarial excess of the Superannuation Account and on the actuarial surplus of the Pension Fund for the RCMPSA if the key economic assumptions are varied by one percentage point per annum from plan year 2006 onward.

	Normal Cost		Superannuation Account		Pension Fund	
Assumption(s) Varied	2006 (%)	Effect (%)	Actuarial Excess ($ millions)	Effect ($ millions)	Actuarial Surplus ($ millions)	Effect ($ millions)
None (i.e. current basis)	20.56	None	963	None	(61)	None
Investment yield						
- if 1% higher	16.44	(4.12)	2,305	1,342	201	262
- if 1% lower	26.17	5.61	(750)	(1,713)	(410)	(349)
Inflation						
- if 1% higher	23.38	2.82	(386)	(1,349)	(254)	(193)
- if 1% lower	18.27	(2.29)	2,066	1,103	96	157
Salary increases						
- if 1% higher	22.49	1.93	765	(198)	(163)	(102)
- if 1% lower	18.89	(1.67)	1,142	179	28	89
Inflation and salaries						
- if both 1% higher	25.57	5.01	(612)	(1,575)	(369)	(308)
- if both 1% lower	16.79	(3.77)	2,226	1,263	176	237
Investment yield, inflation and salaries						
- if all 1% higher	20.11	(0.45)	1,065	102	(30)	31
- if all 1% lower	21.02	0.46	856	(107)	(93)	(32)

The foregoing estimates indicate the degree to which the RCMPSA valuation results depend on some of the key assumptions. The differences between the results above and those shown in the valuation can also serve as a basis for approximating the effect of other numerical variations in one of the key assumptions, to the extent that such effects are indeed linear.



E. RCA Valuation Results

The normal costs, assets and liabilities presented in this section were computed using the data, methodology and assumptions described in Appendix 8.

1. RCA Balance Sheet

Table 6 RCA Balance Sheet
As at 31 March 2005 ($ millions)

Assets	
RCA Account	19.5
Refundable tax	18.4
Excess of assets over actuarial liabilities	22.0
	15.9
Actuarial liabilities	
Pensionable earnings over the tax limit	12.2
Survivor allowance	3.7
Total actuarial liabilities	**15.9**

The RCA financial position has significantly improved since the last valuation (there was an actuarial deficiency of $1.8 million as at 31 March 2002). The improvement is mainly the result of the 2005 Federal Budget that raised the maximum annual pension accrual in a registered pension plan from the current $2,000 to $2,111 for calendar year 2006, $2,222 for calendar year 2007, $2,333 for calendar year 2008 and to $2,444 for calendar year 2009.

2. RCA Normal Costs

Since the last RCA valuation as at 31 March 2002, the projected normal cost for plan year 2006 of 0.12% has decreased by 0.04% to 0.08%. The decrease in normal cost is mainly due to the 2005 Federal Budget.

The RCA normal cost for plan year 2006 is 0.08% of pensionable payroll, that is $1.1 million, and is estimated to remain constant at 0.08% of pensionable payroll for plan years 2007 and 2008.

The following table shows the RCA normal costs for the next three years.

RCA Normal Costs

	Percentage of Pensionable Payroll			Total
Plan Year	Government	Members	Total	($ millions)
2006	0.06	0.02	0.08	1.1
2007	0.06	0.02	0.08	1.1
2008	0.07	0.01	0.08	1.2

III. Actuarial Opinion

In our opinion, considering that this report was prepared pursuant to the *Public Pensions Reporting Act,*

- the valuation input data on which it is based are sufficient and reliable;
- the assumptions that have been used are, in aggregate, appropriate; and
- the methodology employed is appropriate.

Based on the results of this valuation, we hereby certify that, as at 31 March 2005, the total government cost for the following three years is as follows:

Table 7 Estimated Government Cost

	Normal Cost		Other Contributions[1]	Total Cost	
Plan Year	RCMPSA ($ millions)	RCA ($ millions)	($ millions)	($ millions)	(% of pensionable payroll)
2006	203.4	0.9	2.4	206.7	15.20
2007	205.3	0.9	10.5	216.7	15.42
2008	207.3	1.0	10.7	219.0	15.09

This report has been prepared, and our opinions given, in accordance with accepted actuarial practice, and particularly with the Canadian Institute of Actuaries' Consolidated Standards of Practice.

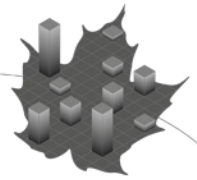
Jean-Claude Ménard, F.S.A., F.C.I.A.
Chief Actuary

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

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

Ottawa, Canada
16 June 2006

[1] Includes government contributions for prior service and RCMPSA special payments. Fund administrative expenses are included in the normal cost.



APPENDICES

Appendix 1 – Developments Occurring After Valuation Date

The previous valuation report was based on the plan provisions as they stood after the enactment of Bill C-78 on 14 September 1999. Plan amendments authorized by Bill C-78 that came into force in plan year 2004 were taken into account in the previous valuation.

Bill C-78 also gave authority to increase member contribution rates. The President of the Treasury Board has recently announced increases to the contribution rates for the Public Service, Canadian Forces and the Royal Canadian Mounted Police pension plans. Contribution rates will increase beginning in January 2006. These contribution rates are shown in the next section.

Appendix 2 – Summary of Plan Provisions

Pensions for members of the Royal Canadian Mounted Police ("the Force") were provided under the *Royal Canadian Mounted Police Act* until the *Royal Canadian Mounted Police Pension Continuation Act* and the *Royal Canadian Mounted Police Superannuation Act* (RCMPSA) were enacted in 1959. Benefits are also provided to members of the Force under the *Special Retirement Arrangements Act*. Benefits are modified if the *Pension Benefits Division Act* is applicable.

The current plan provisions are summarized in this appendix without distinguishing between the benefits provided under the RCMPSA, which is a registered pension plan under the Income Tax Act, and those provided under retirement compensation arrangements, which differ from registered pension plans only in that taxation of contributions and investment earnings is current rather than deferred. The portion of the plan benefits in excess of the *Income Tax Act* limits for registered pension plans is provided under the retirement compensation arrangements described in Appendix 3.

The legislation shall prevail if there is a discrepancy between it and this summary.

A. Membership

Membership in the plan is compulsory for all members of the Force regardless of length of service. Continued membership in the plan became optional for members of the Force who transferred to the Canadian Security Intelligence Service when it was established in 1984.

B. Contributions

1. Members

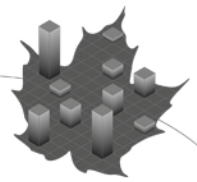
During the first 35 years of pensionable service, members contribute according to the rates shown in the following table. After 35 years of pensionable service, members contribute only 1% of pensionable earnings.

	Calendar Year								
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013+**
On earnings **up to** the maximum covered by the CPP	4.0%	4.3%	4.6%	4.9%	5.2%	5.5%	5.8%	6.1%	6.4%
On any earnings **over** the maximum covered by the CPP	7.5%	7.8%	8.1%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%

2. Government

a) Current Service

The government determines its normal monthly contribution as that amount, which when combined with the required contributions by contributors in respect of current service, is sufficient to cover the cost, as estimated by the President of the Treasury



Board, of all future benefits that have accrued in respect of pensionable service during that month.

b) Elected Prior Service

The government matches member contributions made to the Superannuation Account for prior service elections. Government credits to the Pension Fund in respect of elected prior service are as described for current service.

c) Fund Administrative Expenses

The Fund administrative expenses are included in the normal cost.

d) Excess Notional Assets and Actuarial Surplus

Bill C-78, which received Royal Assent on 14 September 1999, gives the government the authority to:

- debit the excess of assets over the actuarial liabilities from the Superannuation Account subject to limitations, and
- deal with any actuarial surplus, subject to limitations, in the Pension Fund as they occur, either by reducing employee and/or employer contributions or by making withdrawals.

e) Actuarial Deficit

If an actuarial deficit is identified through a triennial statutory actuarial report, the Superannuation Account and/or the Pension Fund are to be credited with such annual amounts that in the opinion of the President of the Treasury Board will fully amortize the actuarial deficit over a period not exceeding 15 years.

C. Summary Description of Benefits

The RCMP pension plan mainly aims at providing an employment earnings-related lifetime retirement pension to the eligible members. The plan also provides benefits to members in case of disability and to the spouse and children in case of death.

Subject to integration with the pensions paid by the Canada Pension Plan (CPP), the initial rate of retirement pension is equal to 2% of the highest average of annual pensionable earnings over any period of five consecutive years, multiplied by the number of years of pensionable service not exceeding 35. Once in pay, the pension is indexed annually with the Consumer Price Index. Such indexation also applies to deferred pensions during the deferral period. Entitlement to benefits depends on either service in the Force or pensionable service, as defined in Notes 3 and 4 of section D below.

Detailed notes on the following overview are provided in section D.

1. Regular Members

Type of Termination	**Service in the Force**	**Benefit**
Retirement because of age (Note 5)	Under 2 years	Greater of: • return of contributions (Note 6), or • cash termination allowance (Note 7)
	2 or more years	Immediate annuity (Note 8)
Compulsory retirement to promote economy or efficiency in the Force	Under 2 years	Return of contributions
	2 to 19 years	Choice of: • return of contributions, or • deferred annuity (Note 9), or • reduced immediate annuity (Note 11)
	20 or more years	Immediate annuity
Compulsory retirement because of misconduct	Any period	At the discretion of the Treasury Board (Note 12)
Withdrawal	Under 2 years	Return of contributions
	2 to 19 years	Choice of: • return of contributions, or • deferred annuity, or • transfer value if under age 60 (Note 10)
Voluntary retirement	20 years to exactly 24 years	Annual allowance (Note 13)
	24 years and at least one day	Immediate annuity
Type of Termination	**Pensionable Service**	**Benefit**
Compulsory retirement because of disability	Under 2 years	Greater of: • return of contributions, or • cash termination allowance
	2 or more years	Immediate annuity
Death leaving no eligible survivor	Under 2 years	Return of contributions to nominated beneficiary, otherwise to estate
	2 or more years	Minimum death benefit (Note 16)
Death leaving eligible survivor(s) (Notes 14 and 15)	Under 2 years	Greater of: • return of contributions, or • one month of pay per year of pensionable service
	2 or more years	Annual allowance to eligible survivor(s) (Note 18)

2. Civilian Members

Type of Termination	Pensionable Service	Benefit
Voluntary retirement at age 60 or over	Under 2 years	Return of contributions (Note 6)
	2 or more years	Immediate annuity (Note 8)
Compulsory retirement because of misconduct	Under 2 years	Return of contributions
	2 or more years	At the discretion of the Treasury Board (Note 12)
Withdrawal	Under 2 years	Return of contributions
	2 to 29 years	Choice of • return of contributions (Note 6), or • deferred annuity (Note 9), or • transfer value if under age 50 (Note 10), or • annual allowance (Note 19)
Voluntary retirement before age 60	30 to 34 years • under age 55 • age 55 or over	As for 2 to 29 years Immediate annuity
	35 or more years	Immediate annuity
Compulsory retirement because of disability	Under 2 years	Greater of: • return of contributions, or • cash termination allowance (Note 7)
	2 or more years	Immediate annuity
Death leaving no eligible survivor	Under 2 years	Return of contributions to nominated beneficiary, otherwise to estate
	2 or more years	Minimum death benefit (Note 16)
Death leaving eligible survivor(s) (Notes 14 and 15)	Under 2 years	Greater of: • return of contributions, or • one month of pay per year of pensionable service
	2 or more years	Annual allowance to eligible survivor(s) (Note 18)

3. Pensioners

Type of Termination	Benefit
Disability of deferred pensioners before age 60	Immediate annuity while disabled
Death leaving no eligible survivor	Minimum death benefit (Note 16)
Death leaving eligible survivor(s)	Annual allowance to eligible survivor(s) (Note 18)

D. Explanatory Notes

1. Pensionable Earnings

Pensionable earnings mean the annual employment earnings (excluding overtime but including pensionable allowances such as bilingual bonuses) of a contributor.

Pensionable payroll means the aggregate pensionable earnings of all contributors with less than 35 years of pensionable service.

2. Indexation

a) Indexation Adjustments

All immediate and deferred annuities (pensions and allowances) are adjusted every January to the extent warranted by the increase, as at 30 September of the previous year, in the 12-month average Consumer Price Index relative to the corresponding figure one year earlier. If the indicated adjustment is negative, annuities are not decreased for that year; however, the next following adjustment is diminished accordingly.

b) First Indexation Adjustment

Indexation adjustments accrue from the end of the month in which employment terminates. The first annual adjustment following termination of employment is prorated accordingly.

c) Commencement of Indexation Payments

The indexation portion of a retirement, disability or survivor pension normally starts being paid when the pension is put into pay. However, regarding a Regular Member retirement pension, indexation payments start only when the pensioner is either

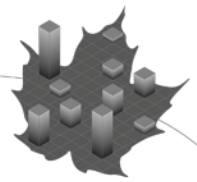
- at least 55 years old, provided the sum of age and pensionable service is at least 85 years; or
- at least 60 years old.

3. Service in the Force

Service in the Force normally includes any period during which a person made required contributions to the Plan, regardless of whether such contributions were subsequently withdrawn. As well, it includes any period of service as a member of any other police force subsequently taken over by the Force.

4. Pensionable Service

Pensionable service includes any period of service in the Force in respect of which a contributor either (1) had to make contributions that remain in the plan or (2) elected to contribute. It also includes any period of prior service with another employer in respect of which a contributor has elected to contribute in accordance with the provisions of the plan.



5. Retirement Because of Age

Retirement because of age means ceasing to be a Regular Member on or after reaching age 60, for reason other than disability or misconduct. Regular Members who joined the Force before July 1988 may elect to retain the prescribed retirement ages (56 for ranks up to corporal, 57 for sergeants, and 58 for staff sergeants and majors) in effect at that time.

6. Return of Contributions

Return of contributions means the payment of an amount equal to the accumulated current and prior service contributions paid or transferred by the contributor into the plan. Interest is credited quarterly on returned contributions in accordance with the investment return on the RCMP Pension Fund or in accordance with the interest credited on the Superannuation Account, depending on where contributions were made.

7. Cash Termination Allowance

Cash termination allowance means an amount equal to one month's salary, as at the date of termination, multiplied by the number of years of pensionable service, minus the total reduction in previous contributions by virtue of its integration with the CPP.

8. Immediate Annuity

Immediate annuity means an unreduced pension that becomes payable immediately upon a pensionable retirement or pensionable disability. The annual amount is equal to 2% of the highest average of annual pensionable earnings of the contributor over any period of five[1] consecutive years, multiplied by the number of years of pensionable service not exceeding 35. For contributors with periods of part-time pensionable service, earnings used in the five-year average are based on a full 37.5-hour workweek but the resulting average is multiplied by the proportion of a full workweek averaged by the contributor over the entire period of pensionable service.

When a pensioner attains age 65 or becomes entitled to a disability pension from the CPP, the annual amount of pension is reduced by 0.7% of the *indexed CPP annual pensionable earnings*[2] (or, if lesser, the indexed five-year[1] pensionable earnings average on which the immediate annuity is based), multiplied by the *years of CPP pensionable service*[3].

Annuities are payable at the end of month until the month in which the pensioner dies or until the disabled pensioner recovers from disability (the last payment would then be pro-rated). Upon the death of the pensioner, either a survivor allowance (Note 18) or a residual death benefit (Note 17) may be payable.

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1 If the number of years of pensionable service is less than five, then the averaging is over the entire period of pensionable service.

2 *Indexed CPP annual pensionable earnings* means the average of the YMPE, as defined in the CPP, over the five calendar years leading up to and including the one in which pensionable service terminated, increased by indexation proportionate to that accrued in respect of the immediate annuity.

3 *Years of CPP pensionable service* mean the number of years of RCMPSA pensionable service after 1965 or after attaining age 18, whichever is later, but not exceeding 35.

9. Deferred Annuity

Deferred annuity means an annuity that normally becomes payable to a former contributor who reaches age 60. The annual payment is determined as for an immediate annuity (Note 8) but is also adjusted to reflect the indexation (Note 2) from date of termination to the commencement of benefit payments.

The deferred annuity becomes an immediate annuity during any period of disability beginning before age 60. If the disability ceases before age 60, the immediate annuity reverts to the original deferred annuity unless the pensioner elects an annual allowance (Notes 13 and 19) that is the prescribed actuarial equivalent to the deferred annuity.

10. Transfer Value

Regular Members and Civilian Members who, at their date of termination of pensionable service, are under age 60 and 50, respectively, and who are eligible for a deferred annuity may elect to transfer the commuted value of their benefits, determined in accordance with the regulations, to

- a locked-in Registered Retirement Savings Plan of the prescribed kind; or
- another pension plan registered under the *Income Tax Act*; or
- a financial institution for the purchase of a locked-in immediate or deferred annuity of the prescribed kind.

11. Reduced Immediate Annuity

Reduced immediate annuity means an immediate annuity for which the annual amount of annuity determined as described in Note 8 is reduced until age 65 by 5% for each full year, not exceeding six, by which the period of service in the Force is less than 20 years. This type of annuity may be chosen by a Regular Member who has completed between 10 and 20 years of service in the Force upon being compulsorily retired

- on account of a reduction in the Force, or
- to promote economy or efficiency (only at the discretion of the Treasury Board).

12. Retirement Because of Misconduct

Upon compulsory retirement because of misconduct, a contributor is entitled to

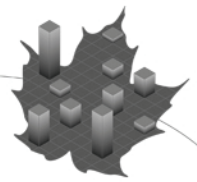
- a return of contributions, or
- a greater benefit as specified by the Treasury Board but not exceeding that available in the absence of misconduct.

13. Annual Allowance for Regular Members

Annual allowance means, for a Regular Member, an immediate annuity reduced by 5% for each full year by which

- the period of service in the Force is less than 25 years, or
- the age at retirement is less than the applicable retirement age (as defined in item 5),

whichever is the lesser.



14. Eligible Surviving Spouse

Eligible surviving spouse means the surviving spouse (includes a common-law or same-sex partner recognized under the plan) of a contributor or pensioner except if:

- the contributor or pensioner died within one year of commencement of the spousal union, unless the Treasury Board is satisfied that the health of the contributor or pensioner at the time of such commencement justified an expectation of surviving for at least one year;
- the pensioner married at age 60 or over, unless after such marriage the pensioner either:
  - became a contributor again, or
  - made an optional survivor benefit election within 12 months following marriage to accept a reduced pension so that the new spouse would be eligible for a survivor benefit. This reduction is reversed if and when the new spouse predeceases the pensioner or the spousal union is terminated for reason other than death; or
- the pensioner is a female who retired before 20 December 1975 and did not make an optional survivor benefit election within the one-year period ending 6 May 1995.

15. Eligible Surviving Children

Eligible surviving children include all children of the contributor or pensioner who are under age 18, and any child of the contributor or pensioner who is age 18 or over but under 25, in full-time attendance at a school or university, having been in such attendance substantially without interruption since he or she reached age 18 or the contributor or pensioner died, whichever occurred later.

16. Minimum Death Benefit

If a contributor or a pensioner dies leaving no eligible survivor, the lump sum normally paid is the excess of five times the annual amount of the immediate annuity to which the contributor would have been entitled, or the pensioner was entitled, at the time of death, over the pension payments, if any, already received. Indexation adjustments are excluded from these calculations.

17. Residual Death Benefit

The same formula described in Note 16 is used to determine the residual death benefit, which is the lump sum payable upon the death of an eligible survivor but also subtracting all amounts (excluding indexation adjustments) already paid to the survivor.

18. Annual Allowance for Eligible Survivor(s)

Annual allowance means, for the eligible surviving spouse and children of a contributor or pensioner, an annuity that becomes payable immediately upon the death of that individual. The amount of the allowance is determined with reference to a *basic allowance* equal to 1% of the highest average of annual pensionable earnings of the contributor over five consecutive years, multiplied by the number of years of pensionable service not exceeding 35.

The annual allowance for a spouse is equal to the basic allowance unless the spouse became eligible as a result of an optional survivor benefit election, in which case it is equal to the percentage of the basic allowance specified by the pensioner making the election. The annual allowance for an eligible surviving child is equal to 20% of the basic allowance, subject to a reduction if there are more than four eligible surviving children in the same family. The annuity otherwise payable to an eligible surviving child is doubled if the child is an orphan.

Survivor annual allowances are not integrated with the CPP and are payable in equal monthly instalments at the end of month until the month in which the survivor dies or otherwise loses eligibility. If applicable, a residual benefit (Note 17) is payable to the estate upon the death of the last survivor.

19. Annual Allowance for Civilian Members

Annual allowance means, for a Civilian Member, an annuity payable immediately on retirement or upon attaining age 50, if later. The amount of the allowance is equal to the amount of the deferred annuity to which the Civilian Member would otherwise be entitled, reduced by 5% of such annuity multiplied by the difference between 60 and the age when the allowance becomes payable. However, if the Civilian Member is at least 50 years old, and has at least 25 years of pensionable service, then the difference is reduced to the greater of

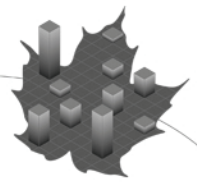
- 55 minus the age, and
- 30 minus the number of years of pensionable service.

The Treasury Board can waive all or part of the reduction for Civilian Members who are involuntarily retired at ages 55 and over with at least ten years of service in the Force.

If a former Civilian Member entitled to an annual allowance commencing at age 50 becomes disabled before then, the entitlement changes to an immediate annuity (Note 8). If disability ceases before age 60, then the entitlement changes to a deferred annuity (Note 9) unless the pensioner elects an annual allowance that is the prescribed actuarial equivalent to the deferred annuity.

20. Division of Pension with Former Spouse

In accordance with the *Pension Benefits Division Act*, upon the breakdown of a spousal union (including common-law), a lump sum can be transferred by court order or by mutual consent from the plan assets to the credit of the former spouse of a contributor or pensioner. The maximum transferable amount is half the value, calculated as at the transfer date, of the retirement pension accrued by the contributor or pensioner during the period of cohabitation. If the member's benefits are not vested, the maximum transferable amount corresponds to half the member's contributions made during the period subject to division, accumulated with interest at the rate applicable on a refund of contributions. The benefits of the contributor or pensioner are then reduced accordingly.



Appendix 3 – RCA Benefit Provisions

This Appendix describes the RCMP pension plan benefits funded through retirement compensation arrangements (RCAs) rather than through the registered RCMPSA plan. As described in Appendix 2, RCAs are pension plans not subject to the benefit limitations of registered pension plans but they are less tax-advantaged.

A. Waiver of Pension Reduction on Involuntary Early Retirement

The Treasury Board may waive all or part of the annual allowance reduction for members involuntarily retired at ages 55 and over with at least 10 years of service as a Civilian Member of the RCMP. These members would have otherwise been subject to a reduction in accordance with Note 19 of section D of Appendix 2.

To be in conformance with the Income Tax Regulations (ITR) for registered pension plans, the reduction must be at least equal to 3% times the lesser of:

- 60 minus the age when the allowance becomes payable,
- 30 minus the number of years of pensionable service, and
- 80 minus the total of the member's age and years of pensionable service, all divided by 2.

If the pension payable after the full or partial waiver granted exceeds the ITR maximum resulting pension described above, then the excess is payable from the RCA.

B. Annual Allowance for Eligible Survivors

If the annual allowance for eligible survivors described in Note 18 of section D of Appendix 2 exceeds the tax-related limits described hereafter for registered plans, then the excess in respect of service only from 1 January 1992 is payable from the RCA.

1. Tax-related limits on preretirement survivor benefits

The total of all preretirement survivor pensions payable in respect of a deceased member may not exceed the member's projected lifetime retirement benefit and the amount of spouse allowance may not exceed two-thirds of the projected lifetime retirement benefit.

The member's projected lifetime retirement benefit is the greater of:

a) the deceased member's accrued pension reduced by the CPP offset; and
b) the lesser of:
   i) the member's projected retirement benefit at age 65 based on current salary history, and
   ii) 1.5 times the YMPE in effect in the year of the member's death.

2. Tax-related limits on postretirement survivor benefits

The amount of spouse allowance provided under the plan is limited in any year to a maximum of two-thirds the retirement benefit that would have been payable to the member in that year.

C. Minimum Death Benefit

If the minimum death benefit lump sum described in Note 16 of section D of Appendix 2 exceeds the tax-related limits described hereafter, then the excess is payable from the RCA.

1. Tax-related limits on preretirement minimum death benefits

The amount of preretirement death benefit provided under the registered plans is limited to the greater of the member's contributions with interest and the present value of the member's accrued benefits on the day prior to death.

2. Tax-related limits on postretirement minimum death benefits

If the member has no eligible dependants at retirement, then the minimum death benefit is limited to the member's contributions with interest.

D. Elective Service

Where the obligation to credit pre-1990 elective service was entered into after 7 June 1990, the amount of lifetime retirement benefit that can be provided under a registered pension plan for each year of such elective service is limited to two-thirds of the defined benefit limit ($2,000 in calendar year 2005) for the year in which the lifetime retirement benefits commence to be paid.

For years subsequent to the commencement year of lifetime retirement benefits, this amount can be adjusted to reflect increases in the Consumer Price Index.

This benefit limit does not apply if the member was restricted to the lower Registered Retirement Savings Plan contribution deduction limit in the year being credited as a result of membership in a registered pension plan or deferred profit sharing plan. It also does not apply if the pre-1990 year was credited before 8 June 1990 as past service in any registered pension plan.

E. Excess Pensionable Earnings

From 23 February 1995 onward, the highest average of pensionable earnings under the RCMPSA is subject to a prescribed yearly maximum. Because the RCMPSA is integrated with the pensions paid by the Canada Pension Plan, the prescribed maximum is derived from both the maximum annual pension benefit ($2,000 for calendar year 2005) payable from a registered defined benefit pension plan and the YMPE. The maximum was $114,400 for the 2005 calendar year.

To the extent that a member’s average earnings at retirement exceed the prescribed yearly maximum, the corresponding excess pension is paid from the RCA.

Appendix 4 – Plan Assets and Rates of Return

A. Plan Assets

1. RCMP Superannuation Account

RCMPSA benefits earned up to 31 March 2000 are financed entirely through the RCMP Superannuation Account, which forms part of the Public Accounts of Canada.

The Account was credited with all RCMPSA contributions made by members and the government up to 31 March 2000, as well as with prior service contributions for elections made prior to 1 April 2000 and leave without pay contributions for periods before 1 April 2000 but remitted after that date. It is charged with both the benefit payments made in respect of service earned under the Account and the allocated portion of the plan administrative expenses.

The Account is credited with interest earnings as though net cash flows were invested quarterly in 20-year Government of Canada bonds issued at prescribed interest rates and held to maturity. No formal debt instrument is issued to the Account by the government in recognition of the amounts therein. Interest earnings are credited every three months on the basis of the average yield for the same period on the combined Superannuation Accounts of the Public Service, Canadian Forces and RCMP pension plans.

Table 8 Reconciliation[1] of Balances in Superannuation Account
($ millions)

Plan year	2003	2004	2005	2003-2005
Public Accounts opening balance	9,884.6	10,372.7	10,453.7	9,884.6
INCOME				
Interest earnings	829.2	845.7	829.5	2,504.4
Employer contributions	1.8	1.5	1.4	4.6
Employee contributions	1.5	1.4	1.4	4.4
Transfers received	0.3	0.3	0.4	0.9
Actuarial liability adjustments	-	(406.0)	-	(406.0)
Subtotal	832.8	442.9	832.6	2,108.3
EXPENDITURES				
Annuities	320.7	345.6	374.8	1,041.1
Pension divisions	9.2	6.9	12.7	28.9
Transfer values	-	-	2.7	2.7
Return of contributions and cash allowances	1.1	0.6	0.3	2.0
Transfers sent	0.3	0.3	0.1	0.7
Administrative expenses	13.4	8.5	5.2	27.0
Subtotal	344.7	361.9	395.9	1,102.5
Public Accounts closing balance	10,372.7	10,453.7	10,890.5	10,890.5

[1] Balances and subtotals in this table may differ from the underlying figures due to rounding.

The foregoing table shows the reconciliation of the assets in the RCMP Superannuation Account between the last valuation date and the current valuation date. Since the last valuation, the Account balance has grown by $1 billion (a 10.1% increase) to reach $10.9 billion as at 31 March 2005.

2. RCMP Pension Fund

Since 1 April 2000 RCMPSA contributions (except for prior service elections made prior to 1 April 2000) have been credited to the RCMP Pension Fund. The Fund is invested in the financial markets with a view to achieving maximum rates of return without undue risk.

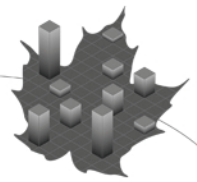
The Fund has been credited with all RCMPSA contributions since 1 April 2000, as well as with prior service contributions in respect of elections made after 31 March 2000 and leave without pay contributions for periods after 31 March 2000. The Fund is also credited with the net investment returns generated by its capital assets. It is charged with both the benefit payments made in respect of service earned under the Fund and the allocated portion of the plan administrative expenses.

Table 9 Reconciliation[1] of Balances in Pension Fund
($ millions)

Plan year	2003	2004	2005	2003-2005
Opening balance	445.7	625.7	1,077.0	445.7
INCOME				
Investment earnings[2]	(71.7)	183.6	97.4	209.4
Employer contributions	190.5	203.1	207.0	600.6
Employee contributions	64.1	68.4	69.9	202.3
Transfers received	0.3	1.8	1.1	3.2
Subtotal	183.2	456.8	375.5	1,015.6
EXPENDITURES				
Annuities	2.0	4.3	7.8	14.1
Transfer values	-	-	1.1	1.1
Pension divisions	0.2	0.1	0.7	1.0
Return of contributions and cash allowances	0.3	0.3	0.2	0.7
Administrative expenses[3]	0.8	0.8	0.8	2.4
Subtotal	3.2	5.5	10.6	19.4
Closing balance	625.7	1,077.0	1,441.8	1,441.8

The above table shows the reconciliation of the assets (market value) in the RCMP Pension Fund between the last valuation date and the current valuation date. Since the last valuation, the Fund balance has increased significantly to reach $1.4 billion as at 31 March 2005.

1 Balances and subtotals in this table may differ from the underlying figures due to rounding.
2 Net of investment management and administrative expenses charged by the Public Sector Pension Investment Board.
3 These are expenses incurred for the administration of the plan only.



B. Rates of Return

The following rates of return were calculated using the foregoing entries. The Account yields are based on book values because the notional bonds are deemed to be held to maturity. The Fund yields are based on market values to measure its actual performance. The results were computed using the dollar-weighted approach, assuming cash flows are in the middle of the plan year (except for actuarial liability adjustments, which occurred on 31 March).

Plan Year	Superannuation Account	Pension Fund
2003	8.49%	(12.29%)
2004	8.27%	24.65%
2005	8.04%	8.19%

C. Sources of Asset Data

The Account and Fund entries shown in section A above were taken from the Public Accounts of Canada and the financial statements of the Public Service Pension Investment Board, respectively. In accordance with section 8 of the *Public Pensions Reporting Act*, the Office of the Comptroller General of Canada provided a certification of the assets of the plan as at 31 March 2005.

Appendix 5 – Membership Data

A. Sources and Validation of Membership Data

The individual data in respect of contributors, pensioners, and eligible survivors were provided as at 31 March 2005.

The counselling firm Morneau Sobeco responsible for the administration of the plan provided relevant valuation input data on contributors, pensioners and eligible survivors.

We performed certain tests of internal consistency, as well as 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), pensionable service, salary levels, and pensions to retirees and survivors. 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.

B. Reconciliation of Membership

The following table, derived from the basic data, shows the reconciliation of contributors, pensioners, and survivors during the period from April 2002 to March 2005 inclusive. Relevant statistics on contributors, pensioners and survivors are shown in Appendix 13.

Table 10 Reconciliation of Membership

	Contributors	Retirement Pensioners	Disability Pensioners	Surviving Spouses	Surviving Children[1]
As at 31 March 2002	18,145	8,783	806	1,122	193
Data corrections	10	(10)	35	19	-
New members	3,190	-	-	-	-
Re-engagements	12	(12)	-	-	-
Withdrawals	(298)	-	-	-	-
Pensionable disabilities	(192)	-	-	-	-
Pensionable retirements	(1,696)	1,696	192	-	-
Emerging survivors	-	-	-	274	
Deaths	(61)	(287)	(32)	(83)	
As at 31 March 2005	19,110	10,170	1,001	1,332	216

[1] The available data were insufficient to allow the reconciliation of the change in the population of eligible surviving children.

Appendix 6 – RCMPSA Valuation Methodology

A. Plan Assets

1. Superannuation Account

The Superannuation Account assets consist essentially of the recorded balance in the Public Accounts of Canada. These assets are shown at the book value of the underlying notional bond portfolio described in Appendix 4. For consistency the liabilities are determined using the projected Account yields, shown in Appendix 7, that reflect the interest credited to the Superannuation Account.

The only other Account-related asset consists of the discounted value of future member contributions and government credits in respect of prior service elections ($18.5 million). The discounted value of future member contributions was calculated using the projected Account yields; the government is assumed to match them.

2. Pension Fund

For valuation purposes, an adjusted market value method has been used to determine the actuarial value of the Pension Fund assets. Under this method, the difference between the observed investment returns during a given plan year and the expected investment returns for that year based on the previous report assumptions, subject to a 10% corridor, is spread over five years.

As a result the actuarial value of assets is a five-year smoothed market value where the appreciation of investment gains or losses is recognized at the rate of 20% per year. The value produced by this method is related to the market value of the assets but is more stable than the market value. The actuarial value of the assets, determined as at 31 March 2005, under the adjusted market value method is $1,374.7 million. This value was determined as follows:

Table 11 Actuarial Value of Pension Fund Assets
As at 31 March 2005 ($ millions)

Plan Year	2001	2002	2003	2004	2005	
Actual net investment return	(17.7)	10.5	(71.7)	183.6	97.4	
Expected investment return	7.7	22.9	37.0	47.7	76.1	
Investment gains (losses)	(25.4)	(12.2)	(108.7)	135.9	21.3	
Less 10% corridor	-	-	(52.3)	-	-	
Investment gains (losses) to be amortized	(25.4)	(12.2)	(56.4)	135.9	21.3	
Unrecognized percentage	0%	20%	40%	60%	80%	
Unrecognized investment gains (losses)	-	(2.4)	(22.6)	81.5	17.0	
Market value as at 31 March 2005						1,441.8
Plus						
Present value of prior service contributions						6.4
Less						
Total unrecognized investment gains						73.5
Actuarial value as at 31 March 2005						1,374.7

The only other Fund-related asset consists of the discounted value of future member contributions and government credits in respect of prior service elections. The discounted value of future member contributions was calculated using the assumed yield on the Pension Fund; the government is assumed to contribute 267% of member contributions.

B. Normal Costs and Liabilities

To determine the RCMPSA normal costs and liabilities, the yearly maximum salary cap and other benefit limits under the *Income Tax Act* described in Appendix 3 were taken into account. For the first time in this valuation, the accrued service in the force was also used for valuation purposes in respect of Regular Members.

1. Normal Costs

The projected accrued benefit actuarial cost method (also known as the projected unit credit method) was used to compute normal costs. Under this method the normal cost computed in respect of a given year is the sum of the value, discounted in accordance with the projected Fund yields shown in Appendix 7, of all future benefits considered to accrue in respect of that year's service, and the estimated administrative expenses to be charged to the Fund in that year. Consistent with this cost method, pensionable earnings are projected up to retirement using the assumed annual increases in average pensionable earnings (including seniority and promotional increases).

2. Liabilities

a) Contributors

Consistent with the projected accrued benefit actuarial cost method employed to estimate normal costs, the liabilities in respect of contributors as at the valuation date correspond to the value, discounted in accordance with the relevant projected yields on the Account and the Fund described below and shown in Appendix 7, of all future benefits accrued as at that date in respect of all previous service.

b) Pensioners and Survivors

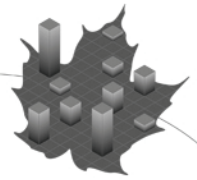
Consistent with accepted actuarial practice and standards, the liabilities as at the valuation date in respect of pensioners (including deferred annuitants) and survivors correspond to the value, using the relevant projected yields on the Account and the Fund described below and shown in Appendix 7, of all future benefits.

C. Projected Yields

The projected yields (shown in Appendix 7) assumed in computing the present value of benefits accrued under the Superannuation Account (i.e. the Account liabilities) are the projected annual yields on the combined book value of the Superannuation Accounts of the Public Service, Canadian Forces, and RCMP pension plans.

The projected Account yields were determined by an iterative process involving the following:

- the combined notional bond portfolio of the three Accounts as at the valuation date;



- the assumed future new money interest rates (also shown in Appendix 7);
- the expected future benefits payable in respect of all pension entitlements accrued up to 31 March 2005;
- the expected future contributions for prior service elections, and
- the expected future administrative expenses,

always taking into account that each quarterly interest credit to an Account is calculated as if the principal at the beginning of a quarter remains unchanged during the quarter.

The projected yields (shown in Appendix 7) assumed in computing the present value of the benefits accrued or accruing under the Pension Fund (i.e. the Fund liabilities and the normal cost) were developed on the basis of the Fund holding a diversified mixture of assets.

D. Membership Data

For valuation purposes, individual data on each member were used.

The member data shown in Appendix 5 and in Appendix 13 were provided as at 31 March 2005. This valuation is based on the member data as at the valuation date.

Appendix 7 – RCMPSA Actuarial Assumptions

The plan being sponsored by the government, the likelihood of the plan being wound-up with insufficient assets is practically nonexistent; consequently all the assumptions used in this report are best-estimate assumptions, i.e. they reflect our best judgement of the future long-term experience of the plan.

A. Economic Assumptions

1. Key Economic Assumptions

The following key economic assumptions are required for valuation purposes.

a) Level of Inflation

Price increases, as measured by changes in the Consumer Price Index, tend to fluctuate from year to year. Based on historical trends, the renewed commitment of the Bank of Canada and the government to keep inflation between 1% and 3% until 2006 and long-term economic forecasts, an ultimate rate of price increase of 2.5% was assumed for 2012 and thereafter. Recognizing past experience, the rate of price increase is assumed to increase from 1.9% for plan year 2007 to 2.5% for plan year 2012. In the previous valuation the ultimate rate of price increase was assumed to be 2.7%.

b) Real Increase in Average Earnings

Salary increases consist of a combination of inflation, productivity growth (i.e. increase in average employment earnings in excess of inflation) and seniority and promotional increase. Seniority and promotion are strongly service-based and is therefore considered to be a demographic assumption rather than an economic assumption.

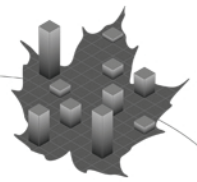
The assumed ultimate productivity rate was assumed at 1.0% per annum. This is closer to the average Canadian experience of the past 50 years (1.07% per annum) than that of the past 25 years (0.0% per annum). RCMP real increases in average earnings have averaged 0.4% over the past 15 years. Real increases in average earnings were assumed to rise gradually over a 7-year select period to reach the ultimate 1.0% per annum in plan year 2013. In the previous valuation, the ultimate productivity rate was assumed to be 0.9%.

c) Real Rate of Return on Long-Term Government of Canada Bonds

Recognizing recent experience, the real rate of returns on long-term Government of Canada bonds was assumed at 2.46% for plan year 2006. The ultimate real rate was then assumed at 2.85% per annum attained in 2015. It is based on historical trends. In the previous valuation, it was 3.0%.

d) Real Rate of Return on Fund

For the assets invested by the Public Sector Pension Investment Board (PSPIB), it is assumed that the real rate of return on investments will be 4.3% net of investment expenses (the ultimate level of inflation being 2.5%). The assumed long-term real



rate of return on PSPIB assets takes into account the distribution of investments by category. It is unchanged from the previous valuation.

Note that all of the real rates of return presented in this report are actually real-return differentials, i.e. the difference between the effective annual rate of return on investments and the rate of increase in prices. This differs from the technical definition of the real rate of return, which in the case of the ultimate Fund assumption would be 4.2% (derived from 1.068/1.025) rather than 4.3%.

For the period ending December 2004, the following table was prepared based on the Canadian Institute of Actuaries Report on Canadian Economic Statistics 1924-2004.

Period of Years Ending 2004	15	25	50
Level of Inflation	2.19%	3.79%	4.10%
Real Increases in Average Earnings[1]	(0.04%)	0.01%	1.07%
Real Return on Long-Term Canada Bonds[1]	7.98%	7.33%	2.92%
Average Real Return on Diversified Portfolios[1]	6.95%	6.95%	4.51%[2]

2. Derived Economic Assumptions

The following assumptions were derived from the key economic assumptions:

a) Projected Yields on Superannuation Account

These yields are required for the computation of present values of benefits to determine the Superannuation Account liabilities. The methodology used to determine the projected yields on the Account is described in Appendix 6.

b) Projected Yields on Pension Fund

These yields are derived from the assumed future level of inflation and the real return on the Fund. These yields are required for the computation of present values of benefits to determine the Fund liabilities and the normal costs. The assumed yield of 6.3% per annum for plan year 2007 is assumed to increase gradually to 6.8% per annum by plan year 2013. The assumed yield is net of investment expenses incurred by the Pension Fund.

c) Increase in the Year's Maximum Pensionable Earnings (YMPE)

The YMPE is involved in the valuation process because the plan is integrated with the Canada Pension Plan. The assumed increase in the YMPE for a given year was derived, in accordance with the *Canada Pension Plan*, to correspond to the increase in the assumed Industrial Aggregate of Average Weekly Earnings (IAAWE) over successive 12-month periods ending on 30 June. The IAAWE is deemed to include a component for seniority and promotional increases; consequently the ultimate increase in the YMPE is assumed to be 0.2% higher than the corresponding increase in average pensionable earnings.

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

2 This average is over the last 45 years.

d) Maximum Pensionable Earnings

Because the plan is integrated with the Canada Pension Plan, the tax-related maximum pensionable earnings were derived from both the maximum annual pension accrual under a registered defined benefit plan and the YMPE. The maximum annual pension accrual of $2,000 for calendar year 2005 will increase to $2,111 for 2006, $2,222 for 2007, $2,333 for 2008 and $2,444 for 2009 in accordance with the 2005 Federal Budget; thereafter, the maximum annual pension accrual is assumed to increase in accordance with the assumed increase in the Industrial Aggregate.

e) Increase in Pension Indexing Factor

The year's pension indexing factor is involved in the valuation process by virtue of its role in maintaining the purchasing power of pensions. It was derived by applying the indexation formula described in Appendix 2, which relates to the assumed Consumer Price Index increases over successive 12-month periods ending on 30 September.

f) Transfer Value Real Interest Rate

In accordance with the Standard of Practice for Determining Pension Commuted Values, effective 1 February 2005, published by the Canadian Institute of Actuaries, the real interest rates to be used for the computation of commuted values as of a particular date are as follows:

First 10 years: $r_7 + 0.50\%$

After 10 years: $r_L + 0.5 \times (r_L - r_7) + 0.50\%$

Where $r_7 = r_L \times (i_7/i_L)$

r_L is the long-term real return Government of Canada bond yield,

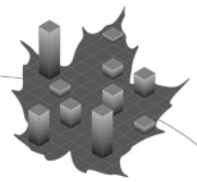
i_L is the long-term Government of Canada benchmark bond yield, and

i_7 is the 7-year Government of Canada benchmark bond yield[1].

For plan year 2006, the real rates of interest to be used for the computation of commuted values are 2.75% for the first 10 years and 3.00% after 10 years. It was derived from the assumed 2006 CPI increase and the assumed 2006 long-term Government of Canada benchmark bond yield which corresponds to the new money rate in this valuation.

In the previous valuation, transfer value real rates of interest were determined in accordance with the applicable Recommendations for the Computation of Transfer Values from Registered Pension Plans that had been effective since 1 September 1993.

[1] It was deemed equal to 90% of the long-term Government of Canada benchmark bond yield.



3. Summary of Key and Derived Economic Assumptions

Table 12 Economic Assumptions[1] (%)

	Inflation		Employment Earning Increases				Interest		
Plan Year	CPI Increase	Pension Indexing[2]	Industrial Aggregate	YMPE[2]	Average Pensionable Earnings[2,3]	Maximum Pensionable Earnings[2,4]	New Money Rate	Yield Projected on Account	Yield Projected on Fund
2006	2.2	**2.2**	2.7	**2.4**	**2.6**	**5.6**	4.66	7.83	6.5
2007	1.9	2.0	3.0	2.6	**2.5**	**5.3**	4.50	7.59	6.3
2008	2.1	2.0	3.1	2.8	2.5	**5.0**	4.54	7.36	6.3
2009	2.1	2.1	3.4	3.0	2.7	**4.8**	4.68	7.11	6.4
2010	2.3	2.2	3.4	3.2	2.9	3.2	4.82	6.90	6.5
2011	2.3	2.3	3.7	3.4	3.1	3.4	4.96	6.68	6.6
2012	2.5	2.4	3.7	3.6	3.3	3.6	5.10	6.26	6.7
2013	2.5	2.5	3.7	3.7	3.5	3.7	5.24	6.07	6.8
2014	2.5	2.5	3.7	3.7	3.5	3.7	5.28	5.92	6.8
2015	2.5	2.5	3.7	3.7	3.5	3.7	5.32	5.77	6.8
2016	2.5	2.5	3.7	3.7	3.5	3.7	5.35	5.57	6.8
2017	2.5	2.5	3.7	3.7	3.5	3.7	5.35	5.41	6.8
2018	2.5	2.5	3.7	3.7	3.5	3.7	5.35	5.30	6.8
2019	2.5	2.5	3.7	3.7	3.5	3.7	5.35	5.26	6.8
2020	2.5	2.5	3.7	3.7	3.5	3.7	5.35	5.24	6.8
2021	2.5	2.5	3.7	3.7	3.5	3.7	5.35	5.19	6.8
2022	2.5	2.5	3.7	3.7	3.5	3.7	5.35	5.17	6.8
2023	2.5	2.5	3.7	3.7	3.5	3.7	5.35	5.15	6.8
2024	2.5	2.5	3.7	3.7	3.5	3.7	5.35	5.14	6.8
2025	2.5	2.5	3.7	3.7	3.5	3.7	5.35	5.13	6.8
2026	2.5	2.5	3.7	3.7	3.5	3.7	5.35	5.15	6.8
2027	2.5	2.5	3.7	3.7	3.5	3.7	5.35	5.19	6.8
2028	2.5	2.5	3.7	3.7	3.5	3.7	5.35	5.24	6.8
2029	2.5	2.5	3.7	3.7	3.5	3.7	5.35	5.29	6.8
2030	2.5	2.5	3.7	3.7	3.5	3.7	5.35	5.33	6.8
2031	2.5	2.5	3.7	3.7	3.5	3.7	5.35	5.35	6.8
2032	2.5	2.5	3.7	3.7	3.5	3.7	5.35	5.35	6.8
2033	2.5	2.5	3.7	3.7	3.5	3.7	5.35	5.35	6.8
2034	2.5	2.5	3.7	3.7	3.5	3.7	5.35	5.35	6.8
2035+	2.5	2.5	3.7	3.7	3.5	3.7	5.35	5.35	6.8

1 Bold figures denote actual experience.
2 Assumed to be effective as at 1 January.
3 Exclusive of seniority and promotional increases. The January 2006 and 2007 salary increases have been announced at 2.63% and 2.50% respectively.
4 Calendar year 2005 Maximum Pensionable Earnings was $114,400.

B. Demographic Assumptions

Except where otherwise noted all demographic assumptions were determined from the plan's own experience, as was done in the past. Where applicable, assumptions of the previous valuation were updated to reflect the available intervaluation experience of April 2002 to March 2005. Tables 33 to 42 of Appendix 14 show the details of the demographic assumptions discussed below. For Regular Members only, certain demographic assumptions were further modified to specifically reflect the accrued service of the members in the force. In previous valuations, only the accrued pensionable service was used.

1. Seniority and Promotional Salary Increases

Seniority means length of service and *promotion* means moving to a higher rank. The seniority and promotional salary increase assumption for Regular Members was significantly changed. Based on the intervaluation experience, they are on average 12% lower at durations 3 to 6 and on average 25% higher at durations 7 to 24. The assumption fully recognizes the Service Pay Allowance granted on every fifth service anniversary and the 4% Senior Constable Provisional Allowance granted after seven completed years of service.

The assumption was also modified to recognize newly approved improvements to service pay and pay increment for newly engaged constables. The cash allowance of roughly 0.2% every five years of service has been replaced by a 0.5% increase in salary after five years of service. A new promotional pay increment ($59,649 for January 2005) at one year of service was created for newly engaged constables. The assumption for Civilian Members was unchanged from the previous valuation.

2. New Contributors

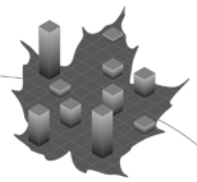
It was assumed that the number, sex, and type of new contributors would be such that the population of each subgroup of contributors changes annually as follows:

	Plan years 2006-2008	Plan years 2009+
Male Regular Members	0%	0.9%
Female Regular Members	6%	0.9%
Male Civilian Members	2%	0.9%
Female Civilian Members	5%	0.9%

For each subgroup, the age distribution of new contributors was based on the distribution of actual new contributors during the intervaluation period. The initial salary of new Civilian Members in a given age-sex cell in the 2006 plan year was assumed to be the same as the corresponding experience in the 2005 plan year. Initial salary is assumed to increase in future plan years in accordance with the assumption for average earnings increase.

3. Pensionable Retirement

Rates of pensionable retirement assumed for Regular Members are lower than previous valuation rates; they are on average 20% lower at lower durations grading down to roughly 5% lower at higher durations. For Civilian Members, they are unchanged.



4. Disability Retirement

The disability incidence rates assumed for this valuation are the same as in the previous valuation, except for increases of up to 13% for male Regular Members at ages 40 to 59. As in the previous valuation, it was assumed that 30% of future new disability pensioners would receive a CPP disability pension, which would reduce their disability pension payable from the plan accordingly.

5. Withdrawal

Withdrawal means ceasing to be employed for reasons other than death or retirement with an immediate annuity or an annual allowance. The rates of termination for all contributors are lower at early durations than those of the previous valuation with more significant decreases of up to 25% in the first year of participation. Vested Regular Members (with at least two years of service) under age 60 and vested Civilian Members under age 50 are assumed to transfer the commuted value of the deferred annuity.

6. Mortality

Unless otherwise noted, the assumed rates are the same as those projected for plan year 2006 and later in the previous valuation. Rates for male Regular Members were slightly modified. They are on average 2% lower at the younger retirement ages but higher at the older retirement ages (on average 3% higher at ages 75 to 95) than those projected in the previous valuation.

The mortality improvement assumption from the actuarial report on the Canada Pension Plan as at 31 December 2003 was used for valuation purposes. The mortality improvements are lower than those used in the previous valuation. These ultimate rates of improvement were established by adjusting the results of a detailed study prepared by the Social Security Administration in the United States. The adjustments are to reflect, in part, historical differences between Canada and the United States. Rates of improvement for the period 2002 to 2006 are assumed to be equal to those experienced over the period 1991 to 2001 and then gradually reduce to their ultimate levels by 2026.

7. Family Composition

Assumptions for the proportion of members leaving, upon death, a spouse eligible for a survivor pension under the plan are unchanged from the previous valuation. The age assumption for all other new survivors remains unchanged.

All assumptions regarding eligible children 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.

C. Other Assumptions

1. Pension Benefits Division / Optional Survivor Benefit / Leave Without Pay

Pension benefits divisions have almost no effect on the valuation results because the plan liabilities are reduced on average by roughly the amount paid to the credit of the former spouse. Consequently, no future pension benefits divisions were assumed in

estimating normal costs and liabilities. However, past pension benefits divisions were fully reflected in liabilities. Two other provisions, namely the optional survivor benefit and the suspension of membership while on leave without pay, were also treated like pension benefits divisions for the same reason.

2. Minimum Postretirement Death Benefit

This valuation does not take into account the minimum death benefit described in Note 16 of section D of Appendix 2, in respect of deaths occurring after retirement. The resulting understatement of accrued liability and normal cost is not material because a majority of the relatively few pensioners who die in the early years of retirement do leave an eligible survivor.

3. Administrative Expenses

It is estimated that administrative expenses will be 0.4% of pensionable payroll, which is 0.05% greater than in the previous valuation. In plan year 2006 the Account is assumed to be charged with 88% of the total expenses, reducing by 2% each year thereafter. The future expenses expected to be charged to the Account have been capitalized and are shown as a liability on the balance sheet, whereas the expenses to the Fund have been added to the normal cost as they occur.

4. Funding of Elected Prior Service

In accordance with the current prior service funding policy, the government credits to the Account in respect of prior service elections are assumed to be 100% of the resulting contributions made by the contributors; the corresponding figure for the Fund is determined in accordance with the allocation of normal costs (267% for plan year 2006).

5. Outstanding Terminations

Payments owing to former contributors as at 31 March 2005 were ignored in this valuation. The consequent understatement of liability is negligible because there were very few such cases and the average amount owing was modest.

6. Disability Incidence Rates for Pensioners Under Age 60

Both deferred pensioners and pensioners receiving an annual allowance while under age 60 were assumed to have a 0% disability rate. The resulting understatement of liabilities and normal costs is negligible.

7. Recovery Rates for Disability Pensioners

No recoveries were assumed for disability pensioners. The resulting overstatement of liabilities and normal costs is negligible.

8. Sex of Surviving Spouses

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

Appendix 8 – RCA Valuation Methodology and Assumptions

A. Valuation of Assets

The assets comprise the recorded balance in the Retirement Compensation Arrangements Account, which forms part of the Public Accounts of Canada, and a refundable tax. Each calendar year a cash transfer is made to the Canada Revenue Agency (CRA) such that in total roughly half of the assets are held by CRA as a refundable tax.

The RCA Account is not invested in marketable securities. Interest is credited every three months in accordance with the actual average yield on a book value basis for the same period on the combined Superannuation Accounts of the Public Service, Canadian Forces and Royal Canadian Mounted Police pension plans. The actuarial asset value is equal to the book value.

B. Valuation of Liabilities

Described in this appendix are the liability valuation methodologies used and any differences in economic assumptions from those used in the RCMPSA valuation.

1. Terminally Funded RCA Benefits

The following RCA benefits are being terminally funded (i.e. not prefunded but on an occurrence basis):

- Preretirement survivor benefits
- Minimum death benefit
- Waiver of pension reduction on compulsory early retirement
- Elective service

These benefits are terminally funded because they are uncommon or of little financial significance. For example, the preretirement survivor benefit becomes payable only when the average salary is less than 1.4 times the YMPE, which excludes almost all Regular Members. As well, the RCA minimum death benefit is expected to occur only with deaths at younger ages where the probability of death is small.

2. RCA Postretirement Survivor Benefits

The limit on the amount of spousal annual allowance that can be provided under the RCMPSA decreases at the same time the member's pension reduces due to the CPP offset, usually at age 65.

This benefit was valued conservatively by assuming the plan limit is always reduced by the CPP offset. The liability overstatement is minor because the probability of the former contributor dying prior to age 65 is small. This overstatement tends to be offset by the understatement of accrued liability caused by terminally funding the preretirement survivor benefit. The projected accrued benefit cost method was used to estimate the liabilities and normal costs for this RCA benefit.

3. Excess Pensionable Earnings

The projected accrued benefit cost method was used to estimate plan liabilities and normal costs retirement for benefits in excess of the Maximum Pensionable Earnings (MPE).

For both the Regular Members and Civilian Members, the valuation population and actuarial assumptions described in Appendix 7 were used without modification. In the previous valuation, a RCA Regular Members population was created to estimate members expected to receive a salary that exceeds maximum pensionable earnings. Given that current excess pensionable earnings are very small (roughly 0.25% of total pensionable payroll) and that testings have shown non-material differences between the two methodologies the new simplified methodology has been adopted without much loss of accuracy.

4. Administrative Expenses

To compute the liabilities and normal costs, no provision was made regarding the expenses incurred for the administration of the RCA. These expenses, which are not charged to the RCA Account, are borne entirely by the government and are commingled with all other government expenses.

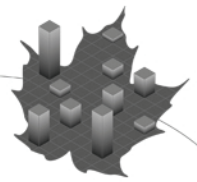
C. Actuarial Assumptions

The valuation economic assumptions are those described in Appendix 7 and shown in Table 12, except that the interest discount rate used to determine the present value of the RCA liabilities and normal cost is one-half of the yield projected on the combined Superannuation Accounts.

The demographic assumptions for the RCA valuation are those used for the RCMPSA valuation, described in section B of Appendix 7.

D. Valuation Data

The RCA pension benefits in payment were provided as at 31 March 2005. Details on the RCA valuation data for current pensioners are shown in Table 32 of Appendix 13.



Appendix 9 – Superannuation Account Projection

Until 31 March 2000 the RCMPSA was entirely financed through the RCMP Superannuation Account. The Account is now charged only with benefit payments made in respect of service earned before 1 April 2000 and administrative expenses; it is credited with prior service contributions made for elections made prior to 1 April 2000 and interest earnings. The legislation allows maintaining the Account balance equal to 110% of the liabilities at the end of the period.

The results of the following projection were computed using the assets described in Appendix 4, the data described in Appendix 5, the methodology described in Appendix 6, and the assumptions described in Appendix 7.

The projection shows the expected development of the Superannuation Account if all assumptions are realized. Emerging experience, differing from the corresponding assumptions, will result in gains or losses to be revealed in subsequent reports.

Table 13 Superannuation Account Projection
($ millions)

Plan Year	Beginning Account Balance	Beginning Liability	Beginning Actuarial Excess	Actuarial Excess Reduction[1]	Payments[2]	Interest Earnings
2006	10,909	9,946	963	9	407	837
2007	11,330	10,301	1,029	45	437	842
2008	11,690	10,628	1,062	48	466	842
2009	12,018	10,927	1,091	51	494	837
2010	12,310	11,192	1,118	54	522	830
2011	12,564	11,423	1,141	57	549	820
2012	12,778	11,618	1,160	59	575	782
2013	12,926	11,752	1,174	62	598	766
2014	13,032	11,849	1,183	64	621	753
2015	13,100	11,910	1,190	66	644	737
2020	12,811	11,647	1,164	75	733	652
2025	11,765	10,695	1,070	80	786	584
2030	10,209	9,281	928	81	787	523
2035	8,386	7,624	762	76	742	429
2040	6,405	5,823	582	67	655	325
2045	4,474	4,067	407	55	531	225

[1] The actuarial excess reduction is calculated using the liabilities and Account balance at the end of the plan year.
[2] Include administrative expenses.

Appendix 10 – Pension Fund Projection

Starting 1 April 2000, the RCMPSA is financed through the RCMP Pension Fund. The Fund is credited with government and employee contributions, investment earnings and with prior service contributions for elections related to service post 31 March 2000. The Fund is charged with benefit payments made in respect of service earned after 31 March 2000 and administrative expenses.

The results of the following projection were computed using the assets described in Appendix 4, the data described in Appendix 5, the methodology described in Appendix 6, and the assumptions described in Appendix 7.

The projection shows the expected development of the Pension Fund if all assumptions are realized. Emerging experience, differing from the corresponding assumptions, will result in gains or losses to be revealed in subsequent reports.

Table 14 Pension Fund Projection[1]
($ millions)

Plan Year	Beginning Market Value[2]	Beginning Liability	Current Services Cost	Payments[3]	Investment Earnings
2006	1,435	1,435	279	17	102
2007	1,799	1,799	288	25	122
2008	2,184	2,184	297	34	145
2009	2,592	2,592	306	44	173
2010	3,027	3,027	315	57	205
2011	3,490	3,490	326	70	237
2012	3,983	3,983	339	86	276
2013	4,512	4,512	352	102	315
2014	5,077	5,077	367	121	354
2015	5,677	5,677	382	140	394
2020	9,250	9,250	476	262	636
2025	13,999	13,999	595	445	957
2030	20,080	20,080	741	723	1,366
2035	27,542	27,542	912	1,124	1,866
2040	36,352	36,352	1,120	1,639	2,454
2045	46,711	46,711	1,390	2,238	3,147

1 For simplicity, expected special payments were not included in the projection.
2 For projection purposes, the market value used is set equal to the beginning liability. The market value was $1,448 million as at 31 March 2005.
3 Include administrative expenses.

Appendix 11 – Investment Risk of a Diversified Portfolio

A. Investing in Risky Assets

Since 1 April 2000, the RCMP Pension Plan contributions from government and employees are invested in capital markets through the PSPIB. Although the actual investment policy is appropriate, it is nonetheless useful to examine the impact of alternative investment policies on plan assets. Assets, in Appendix 11 and Appendix 12, refer solely to the post-2000 service where corresponding contributions are invested in capital markets.

A major risk a plan faces is funding risk - the risk that the assets backing the liabilities are insufficient to meet the pension obligations. If funding deficiencies or surpluses continue for an extended period of time, risk is transferred from one generation to another and may ultimately take the form of an increase or a decrease in the contribution rate.

The RCMP Pension Plan is inflation indexed, meaning that benefits increase in line with the CPI in order to maintain their purchasing power. From a risk point of view, the Plan's funds would be invested only in securities that exhibit high risk-free real returns in excess of the CPI. However, only the Government of Canada Long-Term Real Return Bond guarantees a risk-free inflation protected return. The yield on this bond was 1.73% as at 31 August 2005. This is well below the required real return on assets of 4.3% that is needed to sustain the plan at the current contribution rate.

By investing solely in risk-free real return bonds, all funding risk could be eliminated with an excessive cost and then at the detriment of current and future contributors, who will have to contribute more unless benefits were decreased. If the PSPIB were to switch from the current portfolio of fixed and variable income securities to a portfolio that consists of only long-term Government of Canada bonds, the normal cost of the Plan would have to increase substantially in order to maintain the current funding status or benefits would have to be reduced. Neither of these is a desirable option. The following table shows the impact that various asset mixes would have on the normal cost and the funding ratio. Portfolio #1 is invested in long-term real return federal bonds only and its rate of return corresponds to the bond yield as at August 2005. Portfolio #2 is invested in long-term federal bonds assuming the ultimate assumption is attained in 2015. Both portfolio #1 and #2 do not result in feasible scenarios due to their prohibitive cost. Bonds in portfolios #3 to #6 are an actively managed bond mix and their respective rates of return are long-term ultimate assumptions used for 2015 and years thereafter.

Table 15 Investment Policy Impact on Plan Funding

	Asset Mix		Ultimate Real Rate of Return	Plan Funded Ratio as at 31 March 2005	Required Normal Cost to Maintain Full Funding
	Fixed Income	Variable Income			
Portfolio #1	100%	0%	1.73%	53%	38.85%
Portfolio #2	100%	0%	2.85%	70%	28.96%
Portfolio #3	100%	0%	3.40%	79%	25.31%
Portfolio #4	75%	25%	3.70%	85%	23.58%
Portfolio #5	50%	50%	4.00%	90%	22.00%
Actual Investment Policy	30%	70%	4.30%	96%	20.56%
Portfolio #6	0%	100%	4.70%	104%	18.84%

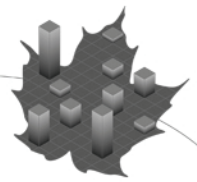
The Government created the PSPIB to invest the Plans' contributions in excess of benefits with the purpose of maximizing investment returns without undue risk. The normal cost is then less than it would have been if the investment policy has been restricted to long-term government bonds. Diversifying the portfolio into a mix of fixed and variable income securities accomplishes this. Thus, the Plan undertakes some risks in order to increase the probability of achieving the long-term investment target of CPI + 4.3%.

Funding risk can be reduced by investing in securities that offer a higher rate of return than risk-free real return bonds, but that also have a higher degree of risk or volatility. That is, funds can be invested in a mix of investments, such as equities and bonds, with the expected rate of return equal to the plan's funding requirements. By investing in riskier assets, investors hope to realize the equity risk premium as their reward for taking on additional risk. An equity risk premium is the difference between the expected return on the risky asset (equity) and the expected return on a risk-free asset, such as the Government of Canada Long-Term Real Return Bond mentioned above.

Of course, these higher returns are expected and not guaranteed, creating the very real possibility that the market will perform differently than expected and liabilities will grow at a faster or slower rate than investments for an extended period of time. This is known as market risk. Since investing solely in risk-free real return bonds will not produce a return sufficient to maintain the Plan at status quo, it is necessary to take market risk in order to increase the probability of earning a sufficient return. Even if investment returns materialize as expected, other assumptions may not, causing liabilities to grow at a different rate than the assets. An example of this is if salaries increase at a higher rate than expected. The amount of risk that the plan sponsor is willing to take depends on many factors, including the current funding status and economic outlook, among other things.

B. Impact on Pension Fund of Investing in Riskier Assets

This section highlights in dollar value the impact of active asset management as opposed to investing in risk-free bonds only. The following table shows the impact of investment decisions on the plan assets. Specifically, the table shows in lines (A) to (D) the hypothetical value of the fund and of the investment earnings had the fund been invested



entirely in long-term Government of Canada bonds throughout its life. Those figures are compared to the actual PSPIB results – lines (E) to (I) – to obtain the net value of the decision to invest in capital markets, in lines (J) and (K).

Even though investment earnings may not be positive each and every year, one can reasonably expect investment earnings above the risk-free rate to be positive in the long-term due to investment decisions, such as asset allocation in line (F) and active management in line (G). The cumulative net impact of investment decisions – line (K) in 2005 – being positive, it shows that over the last five years, it was more profitable for the plan to invest some funds in equities than investing solely in risk-free bonds.

Table 16 Impact of Investment Decision on Plan Assets
As at 31 March 2005 ($ millions)

	Pension Fund				
	2001	2002	2003	2004	2005
Hypothetical Risk-Free Portfolio (100% Government Long-Term Bonds)					
Fictitious Value of Assets, beginning of year (A)	-	221.2	479.0	764.7	1,079.4
Net Contributions Less Disbursements (B)	215.0	237.8	251.6	267.7	267.5
Return on Risk-Free Portfolio (C)	6.2	20.0	34.1	47.0	61.4
Fictitious Value of Assets, end of year (D) = (A)+(B)+(C)	221.2	479.0	764.7	1,079.4	1,408.3
Risky Assets Portfolio (PSPIB Actual Figures)					
Market Value of Assets, beginning of year (E)	-	197.3	445.7	625.6	1,076.9
Net Contributions Less Disbursements (B)	215.0	237.8	251.6	267.7	267.5
Return on Risky Assets Portfolio					
Selecting Fund's Actual Asset Allocation Policy (F)	(17.5)	11.0	(67.9)	176.1	87.3
Active Management (over the benchmark) (G)	(0.2)	(0.4)	(3.8)	7.5	10.1
Total Return on Risky Assets Portfolio (H) = (F)+(G)	(17.7)	10.6	(71.7)	183.6	97.4
Market Value of Assets, end of year (I) = (E)+(B)+(H)	197.3	445.7	625.6	1,076.9	1,441.8
Net Impact of Investment Decisions					
Annual (J) = (H)-(C)	(23.9)	(9.4)	(105.8)	136.6	36.0
Cumulative (K) = (I)-(D)	(23.9)	(33.3)	(139.1)	(2.5)	33.5
Investment Actuarial Gains and Losses					
Expected Investment Earnings[1] (L)	7.7	22.8	37.0	47.7	76.1
Total Return on Risky Assets Portfolio (H)	(17.7)	10.6	(71.7)	183.6	97.4
Gains/Losses					
Annual (M) = (H)-(L)	(25.4)	(12.2)	(108.7)	135.9	21.3
Cumulative (N) = $(N)_{\text{prior year}}$+(M)	(25.4)	(37.6)	(146.3)	(10.4)	10.9

[1] In 2005, the $76.1 million is based on an expected nominal return of 6.3% (4.3% real plus 2% CPI).

Appendix 12 – Financial Economics Valuation Methodology and Assumptions

The 2000 to 2003 equity market debacle left many defined benefit pension plan in a deficit position. Finance professionals, including actuaries, now reassess the appropriateness of the traditional actuarial approach for funding. The financial economics (FE) approach received some publicity in the finance and actuarial literature. The purpose of this appendix is to describe the main principles of the FE approach and to show how much it would cost to implement it for the RCMP Pension Plan. As stated in Appendix 11, it refers solely to contributions invested in capital markets for the post-2000 service.

A. Traditional Actuarial Approach

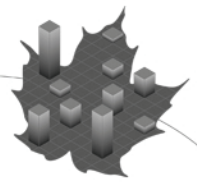
The valuation approach used in this report and by most actuaries is the traditional actuarial approach. It involves discounting the estimated future benefit payments using a valuation rate that reflects the expected rate of return on the plan's assets that are backing liabilities. In determining the appropriate valuation interest rate, consideration is given to the expected future real rates of return of each individual asset class and the evolution of the future asset mix. The valuation rate anticipates a positive equity risk premium over the long-term. The traditional approach recognizes that the capital markets are highly variable in the short-term but less variable over a longer time horizon. The focus of the traditional actuarial approach is to report a best estimate of pension liabilities and costs, with a particular emphasis on achieving a smooth pattern of contribution rates over the long term.

Over the last few years, some actuaries have expressed dissatisfaction with the traditional method mainly due to the use of a positive equity risk premium and a judgementally selected valuation rate that does not reflect the true value and nature of the liabilities. They have recommended adopting some of the principles of the financial economics approach. The next section describes, as an informative purpose, the fundamentals of the financial economic theory and its impact on pension funding. An illustration of what the normal cost of the RCMP pension plan would be with the financial economics valuation approach is shown in the following section. However, the traditional approach is considered to be the most appropriate method for funding public sector pension plans for the following reasons:

- it takes into account a positive equity risk premium,
- it focuses more on a smooth funding pattern than on liabilities,
- it incorporates future salary increases,
- it smoothes the volatile market value of assets, and
- there are no financial instruments available to properly apply the financial economic approach.

B. Financial Economics Approach

The Financial Economics approach begins from the contention that pension plan liabilities are obligations that possess characteristics similar to bonds. This approach is described in actuarial literature as having five key principles which are described below.



1. Key Principles

a) One dollar of bonds has the same value as one dollar of equities

In current actuarial practice, plans sponsors anticipate an equity risk premium on investments without explicitly recognizing the risk that is being incurred. This principle contends that the present value (PV) of an expected cash flow must reflect both the expected return and risk. The PV of the equity risk is negative and it exactly offsets the PV of the expected future equity premium.

b) A liability is measured by the value of a replicating portfolio whose cash flows match the liability in amount, timing, and probability of payment

Liabilities should be valued using discount rates tied to bond yields of appropriate quality and duration, rather than using a discount rate that reflects the expected return of assets backing the liabilities, as is the current practice. Thus, the current practice understates the true market value of the liabilities since a higher discount rate is used. Using a replicating bond portfolio to determine the appropriate valuation interest rate is not subjective, since it does not require judgement on the part of the actuary or plan sponsor.

c) A fair trade of a marketed security must occur at market value

Smoothing techniques used in current actuarial practice create arbitrage opportunities. Also, the true volatility of pension accounting costs is disguised by smoothing asset and liability gains and losses over several years. For both funding and accounting purposes, the assets should be valued at market and continuously marked to market.

d) All parties involved in financial transactions are entitled to full and complete current information on the market price of the relevant assets and liabilities

Financial disclosures must be based on current market values of assets and liabilities. Although mark-to-market measures would increase the year-to-year volatility of pension accounting costs, stakeholders or taxpayers in the case of public sector pension plans would be given a more realistic picture of pension performance.

e) Risks are borne and rewards are earned by individuals and not by institutions

The pension promise is a transaction between principals – the company's shareholders and plan participants – with executives, union representatives, regulators, board members, and the company itself simply acting as agents of these principals' interests. In the case of public pensions, such as the Public Sector Pension Plans, risks are borne by taxpayers and not by the Government. In general, it is assumed that the Government, acting as a representative of taxpayers, takes a long-term view of what is best for the Plans. This may be at the expense or benefit of taxpayers.

2. Implications for Pension Plans that Implement Financial Economics

The financial economics approach focuses on plan liabilities and not on annual cost or the smoothness of contribution rates over time, which are important in the traditional

approach. FE ignores the future risk/reward expectations inherent in risky investments, such as equities. Instead, this approach recommends valuing pension liabilities with a reference portfolio composed entirely of bonds with properties similar to the plan's liabilities. No judgment from the actuary of the plan sponsor would be required to determine the valuation interest rate. If the theory of financial economics was implemented to value defined benefit pension plans, then one could expect higher pension costs than under the traditional methodology and a pattern of contributions that varies substantially as interest rates rise and fall and the shape of the yield curve changes.

The emphasis in financial economics is placed on current values, as determined by the market, and not on historical values or best estimates of future conditions. There is no smoothing of assets in financial economics. If the plan is fully funded and invested in a reference portfolio that matches the accrued liabilities, the only further funding required will be the normal cost. In other words if interest rates fall, the normal cost would increase substantially but no further contributions would be required to fund the accrued liabilities that are already matched by the replicated bond portfolio. Following this logic, future salary increases and possible future benefit improvements are not considered in the liabilities valuation and will be funded by the normal cost once they are realized.

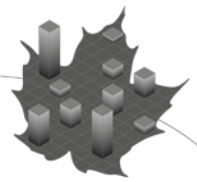
With the FE approach, the plan is viewed as an integral part of the employer's financial structure. It allows the employer to consider its pension plan from a shareholders' point of view: taking less risk through its pension plan will allow it to take more risk in its operations and then increase returns for its shareholders. FE is then more appropriate as an accounting valuation (to reflect the market value of the liabilities) than as a funding valuation. Nonetheless, FE could also be useful in a public pension plan environment if governments would prefer reducing risk in their pension plans by paying more and therefore reducing the spending in other initiatives.

3. Hypothetical RCMP Pension Plan Normal Cost with Financial Economics Approach

As an illustrative purpose, the following normal cost and liabilities are calculated as if the valuation approach were dictated by financial economics principles. However, there are some practical problems developing the reference portfolio because few bonds are available in the market with terms longer than 30 years. The long-term rate over 10 to 30 years is then used as an approximation of the longer-term rates over 30 to 80 years. The reference portfolio valuation rate corresponds to the long-term real return Government of Canada Bond Yield plus fifty basis points[1], which results in a slightly lower interest rate than the one used for the computation of commuted values described in Appendix 7.

The reference portfolio is an attempt to properly value the liabilities and not a recommended asset mix policy. It allows measuring the liabilities without regard to the

[1] To reflect that the reference portfolio could be invested in highly secure bonds other than federal bonds. As an example, provincial bonds yield has been historically higher than the Government of Canada Bond Yield by 40 basis points.



expected return of the invested assets. The results of the following projection were computed using the assets described in Appendix 4, the data described in Appendix 5, the methodology described in Appendix 6, and the assumptions described in Appendix 7 with the exceptions that there is no seniority and promotional increases and no general economic increases.

Table 17 Normal Cost with Financial Economic Approach

	Financial Economics						
	Normal Cost		Liabilities at				
Plan Year	($ millions)	(% of Pensionable Payroll)	Beginning of the Year ($ millions)	Assets ($ millions)	Funding Ratio (%)	Real Discount Rate first 10 yrs (%)	Real Discount Rate after 10 years (%)
2003	268	22.7	457	446	98	3.74	4.28
2004	274	22.8	751	626	83	3.11	3.55
2005	303	24.4	1,064	1,077	101	3.20	3.65
2006	346	25.6	1,696	1,448	85	2.71	3.08
2007	353	25.2	2,116	1,812	86	2.75	3.13
2008	360	24.9	2,551	2,197	86	2.79	3.17
2009	368	24.6	3,006	2,605	87	2.82	3.21
2010	376	24.4	3,484	3,040	87	2.86	3.25
2015	455	24.1	6,338	5,688	90	3.04	3.46

Note that the normal costs and liabilities shown in the table above were based on the 2002 valuation assumptions for plan years 2003 to 2005 and on the 2005 valuation assumptions for plan years 2006 to 2015. The assumptions used do not reflect the volatility of interest rates that might occur if the financial economics approach was chosen. For example, in the past ten years long-term real interest rates have varied from 1.5% to 5.0%. Such variations in real interest rates would have a significant impact on the normal costs from one year to the other. Under such an environment the contributor of one year can be obligated to pay twice the amount paid in the prior year.

With the financial economics approach, the actuarial deficit, which is based on current low yield long-term bonds, would be much higher but with less investment risk for government and plan members.

4. Actuarial Issues with Financial Economics

The financial economics approach is based on the belief that pension liabilities are similar to debt and that they can be modeled accurately using a debt model. However, if this is done, future benefits will be underestimated, which will lead to a plan being underfunded. When these costs are actually realized in the future, benefits will increase retroactively and will have to be paid by the current generation, causing inequity among generations.

Rather than the smooth funding pattern that has emerged with the traditional method, the financial economics method is likely to produce a funding pattern that increases

initially and then decreases over time if actuarial gains emerge. This will lead to intergenerational inequity as the current generation of taxpayers and/or members will pay more than future generations. Proponents of traditional actuarial valuation see some flaws in the financial economics approach. First of all, duration in the debt model is incorrect since pension obligations in an ongoing plan could last as long as 90 years into the future for a current member or their beneficiary. No debt instrument exists with a term that long. Also, pension payments are not determined in advance due to variations over time of inflation, salary increases, retirement rates, death, disability, and many other factors. Benefit payments vary much more than debt. Finally, the main concern of the plan sponsor is the normal cost and not the liabilities, making the liability model and its results less significant to the sponsor.

Appendix 13 – Detailed Membership Data

Table 18 Reconciliation of Contributors

	Regular Members		Civilian Members	
	Male	Female	Male	Female
As at 31 March 2002	13,277	2,485	1,222	1,161
Data corrections	15	5	(13)	3
New members	1,878	593	349	370
Re-engagements	9	2	-	1
Withdrawals	(134)	(57)	(36)	(71)
Pensionable disabilities	(151)	(19)	(5)	(17)
Pensionable retirements	(1,456)	(63)	(122)	(55)
Deaths	(44)	(7)	(6)	(4)
As at 31 March 2005	13,394	2,939	1,389	1,388

Table 19 Reconciliation of Retirement Pensioners

	Former Regular Members		Former Civilian Members	
	Male	Female	Male	Female
As at 31 March 2002	7,998	86	478	221
Data corrections	(18)	(3)	4	7
New pensioners	1,456	63	122	55
Deaths	(237)	(4)	(30)	(16)
Re-engagements	(9)	(2)	-	(1)
As at 31 March 2005	9,190	140	574	266

Table 20 Reconciliation of Disability Pensioners

	Former Regular Members		Former Civilian Members	
	Male	Female	Male	Female
As at 31 March 2002	580	74	58	94
Data corrections	30	3	2	-
New pensioners	151	19	5	17
Deaths	(25)	(1)	(3)	(3)
As at 31 March 2005	736	95	62	108

Table 21 Male Regular Member Contributors
Number and Average Annual Pensionable Earnings[1] as at 31 March 2005

Age Last Birthday	Completed Years of Service in the Force								All Years of Service
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35	
To 24	331 $53,606	1 $68,556	-	-	-	-	-	-	332 $53,651
25-29	1,137 $60,727	86 $69,518	-	-	-	-	-	-	1,223 $61,346
30-34	1,086 $62,362	628 $70,494	121 $73,130	2 $77,598	-	-	-	-	1,837 $65,868
35-39	467 $62,422	488 $70,625	742 $73,589	478 $75,561	1 $72,324	1 $71,400	-	-	2,177 $70,960
40-44	129 $63,865	164 $70,374	431 $72,789	1,193 $76,097	550 $79,600	6 $87,070	-	-	2,473 $75,308
45-49	44 $64,970	44 $70,924	126 $72,678	433 $74,678	875 $78,955	957 $82,601	88 $87,963	1 $71,628	2,568 $79,213
50-54	3 $66,649	22 $71,109	20 $70,627	132 $73,045	214 $75,918	537 $80,939	1,096 $85,747	27 $92,967	2,051 $82,408
55+	4 $69,210	5 $67,543	11 $68,810	67 $71,346	22 $74,996	110 $77,278	324 $87,158	190 $90,112	733 $84,124
All Ages	3,201 $60,994	1,438 $70,478	1,451 $73,157	2,305 $75,408	1,662 $78,721	1,611 $81,693	1,508 $86,179	218 $90,381	13,394 $73,813

Average age: 41.8 years

Average service in the force: 16.3 years

Average pensionable service: 16.6 years

Annualized pensionable payroll[2]: $969.0 million

1 As defined in Note 1 in section D of Appendix 2.
2 The aggregate pensionable earnings of all contributors with less than 35 years of pensionable service.

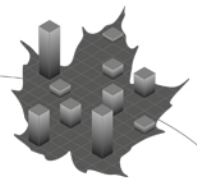


Table 22 Female Regular Member Contributors
Number and Average Annual Pensionable Earnings[1] as at 31 March 2005

Age Last Birthday	Completed Years of Service in the Force								All Years of Service
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35	
To 24	144 $52,960	-	-	-	-	-	-	-	144 $52,960
25-29	431 $61,297	74 $69,544	-	-	-	-	-	-	505 $62,505
30-34	275 $62,145	341 $70,166	74 $72,148	1 $71,520	-	-	-	-	691 $67,188
35-39	118 $61,725	158 $70,185	209 $72,334	171 $73,553	1 $82,284	-	-	-	657 $70,244
40-44	35 $63,250	43 $70,331	69 $72,523	315 $75,243	89 $77,698	-	-	-	551 $74,153
45-49	6 $60,242	15 $70,645	16 $72,818	78 $74,238	104 $74,382	59 $79,963	3 $75,860	-	281 $74,939
50-54	4 $67,039	4 $70,635	9 $75,339	16 $73,226	22 $75,365	32 $86,803	8 $102,006	-	95 $80,549
55+	-	-	1 $82,056	2 $73,464	1 $71,628	8 $77,724	3 $71,552	-	15 $75,804
All Ages	1,013 $60,476	635 $70,124	378 $72,450	583 $74,545	217 $75,865	99 $81,993	14 $89,878	-	2,939 $68,892

Average age: 36.3 years

Average service in the force: 10.4 years

Average pensionable service: 10.6 years

Annualized pensionable payroll[2]: $202.5 million

1 As defined in Note 1 in section D of Appendix 2.
2 The aggregate pensionable earnings of all contributors with less than 35 years of pensionable service.

Table 23 Male Civilian Member Contributors
Number and Average Annual Pensionable Earnings[1] as at 31 March 2005

Age Last Birthday	Completed Years of Pensionable Service								All Years of Service
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35	
To 24	29 $54,470	-	-	-	-	-	-	-	29 $54,470
25-29	104 $57,697	21 $61,827	-	-	-	-	-	-	125 $58,391
30-34	121 $59,448	51 $63,947	14 $65,480	-	-	-	-	-	186 $61,135
35-39	78 $63,290	48 $67,408	35 $71,470	19 $66,552	1 $71,430	-	-	-	181 $66,351
40-44	65 $66,578	35 $68,498	36 $72,871	50 $70,517	31 $75,272	2 $74,586	-	-	219 $70,122
45-49	39 $64,876	26 $65,428	17 $68,142	38 $70,707	84 $76,713	52 $75,685	6 $66,948	-	262 $71,976
50-54	29 $64,059	9 $72,876	13 $69,398	13 $71,176	41 $74,045	69 $79,086	48 $77,218	6 $74,182	228 $74,497
55+	11 $85,911	16 $77,422	13 $62,234	12 $65,073	24 $74,393	31 $77,100	45 $78,384	7 $76,964	159 $75,568
All Ages	476 $61,702	206 $66,934	128 $69,618	132 $69,571	181 $75,525	154 $77,479	99 $77,126	13 $75,680	1,389 $68,736

Average age: 43.3 years

Average pensionable service: 13.4 years

Annualized pensionable payroll[2]: $94.5 million

1 As defined in Note 1 in section D of Appendix 2.
2 The aggregate pensionable earnings of all contributors with less than 35 years of pensionable service.

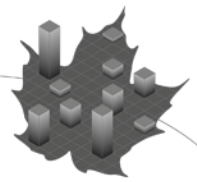


Table 24 Female Civilian Member Contributors
Number and Average Annual Pensionable Earnings[1] as at 31 March 2005

Age Last Birthday	Completed Years of Pensionable Service								All Years of Service
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35	
To 24	19 $47,858	-	-	-	-	-	-	-	19 $47,858
25-29	140 $52,952	14 $59,620	1 $37,932	-	-	-	-	-	155 $53,457
30-34	145 $56,143	52 $59,989	14 $57,649	3 $56,440	-	-	-	-	214 $57,180
35-39	87 $58,020	40 $65,661	50 $57,680	29 $57,740	-	-	-	-	206 $59,382
40-44	68 $55,153	35 $60,978	40 $62,403	63 $64,476	36 $61,497	8 $61,467	-	-	250 $60,594
45-49	36 $55,747	22 $57,799	31 $56,114	35 $59,083	51 $66,525	31 $62,735	7 $60,615	-	213 $60,318
50-54	19 $57,248	18 $60,765	12 $50,969	23 $60,280	31 $63,973	58 $66,759	52 $66,309	3 $65,320	216 $63,328
55+	11 $51,627	11 $70,582	11 $69,000	20 $64,120	23 $63,550	21 $60,690	15 $74,451	3 $78,060	115 $64,981
All Ages	525 $55,093	192 $61,753	159 $58,713	173 $61,517	141 $64,195	118 $64,263	74 $67,421	6 $71,690	1,388 $59,663

Average age: 41.9 years

Average pensionable service: 12.0 years

Annualized pensionable payroll[2]: $82.4 million

1 As defined in Note 1 in section D of Appendix 2.
2 The aggregate pensionable earnings of all contributors with less than 35 years of pensionable service.

Table 25 Male Former Regular Member Retirement Pensioners
Number and Average Annual Pension[1] as at 31 March 2005

Age Last Birthday	Superannuation Account		Pension Fund	
	Number	Average ($)	Number	Average ($)
30-34	1	4,056	1	4,284
35-39	-	-	-	-
40-44	31	18,324	27	3,938
45-49	387	26,040	282	3,670
50-54	1,410	30,445	683	3,684
55-59	2,569	37,014	928	3,560
60-64	1,889	40,125	163	2,385
65-69	1,417	34,096	-	-
70-74	1,080	32,512	-	-
75-79	311	30,101	-	-
80-84	64	30,082	-	-
85-89	23	26,046	-	-
90-94	7	25,658	-	-
All Ages	9,189	34,819	2,084	3,529

Average age at 31 March 2005: 61.5 years

Average age at retirement: 49.8 years

[1] Equals initial amounts of pension plus all accrued indexation to and including 1 January 2005, reduced by any CPP and PBDA offsets in effect as at 31 March 2005. All pensions are in pay except for 13 retirement pensions deferred to age 60. All accrued indexation is in pay except that in respect of retirement pensioners who have not yet satisfied at least one of the relevant criteria for receiving indexation payments.

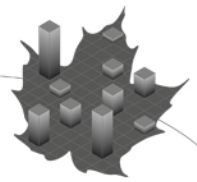


Table 26 Male Former Regular Member Disability Pensioners
Number and Average Annual Pension[1] as at 31 March 2005

Age Last Birthday	Superannuation Account		Pension Fund	
	Number	Average ($)	Number	Average ($)
30-34	-	-	-	-
35-39	6	10,716	4	3,153
40-44	26	18,481	22	3,494
45-49	94	23,162	57	3,000
50-54	234	27,756	108	3,016
55-59	202	29,408	64	2,152
60-64	90	28,633	8	1,196
65-69	46	27,997	-	-
70-74	23	24,105	-	-
75-79	7	22,971	-	-
80-84	4	24,792	-	-
85-89	4	17,247	-	-
All Ages	736	27,046	263	2,789

Average age at 31 March 2005: 56.1 years

Average age at retirement: 47.4 years

[1] Equals initial amounts of pension plus all accrued indexation to and including 1 January 2005, reduced by any CPP and PBDA offsets in effect as at 31 March 2005.

Table 27 Female Former Regular Member Retirement Pensioners
Number and Average Annual Pension[1] as at 31 March 2005

Age Last Birthday	Superannuation Account		Pension Fund	
	Number	Average ($)	Number	Average ($)
35-39	2	9,156	1	5,388
40-44	8	17,819	7	3,972
45-49	51	23,389	32	3,547
50-54	52	24,793	28	3,620
55-59	19	29,118	11	4,427
60-64	6	27,432	5	3,499
65-69	1	9,180	-	-
70-74	1	12,012	-	-
All Ages	140	24,157	84	3,741

Average age at 31 March 2005: 51.2 years

Average age at retirement: 46.8 years

[1] Equals initial amounts of pension plus all accrued indexation to and including 1 January 2005, reduced by any CPP and PBDA offsets in effect as at 31 March 2005. All pensions are in pay. All accrued indexation is in pay except that in respect of retirement pensioners who have not yet satisfied at least one of the relevant criteria for receiving indexation payments.

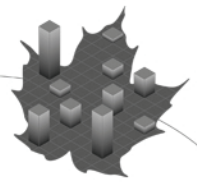


Table 28 Female Former Regular Member Disability Pensioners
Number and Average Annual Pension[1] as at 31 March 2005

Age Last Birthday	Superannuation Account		Pension Fund	
	Number	Average ($)	Number	Average ($)
35-39	7	9,156	4	3,465
40-44	14	17,819	10	2,692
45-49	36	23,389	12	3,010
50-54	21	24,793	6	2,378
55-59	12	29,118	3	1,647
60-64	3	27,432	-	-
65-69	1	9,180	-	-
70-74	1	12,012	-	-
75-79				
All Ages	95	18,593	35	2,746

Average age at 31 March 2005: 49.2 years

Average age at retirement: 42.4 years

[1] Equals initial amounts of pension plus all accrued indexation to and including 1 January 2005, reduced by any CPP and PBDA offsets in effect as at 31 March 2005.

Table 29 Male Former Civilian Member Retirement Pensioners
Number and Average Annual Pension[1] as at 31 March 2005

Age Last Birthday	Superannuation Account		Pension Fund	
	Number	Average ($)	Number	Average ($)
35-39	-	50,345	-	-
40-44	5	20,318	-	-
45-49	4	21,070	-	-
50-54	16	37,412	9	4,654
55-59	95	32,970	77	4,133
60-64	137	30,782	55	2,939
65-69	123	23,014	14	2,416
70-74	95	18,459	1	2,400
75-79	60	17,698	-	-
80-84	30	14,477	-	-
85-89	8	17,850	-	-
90-94	1	17,850	-	-
All Ages	574	27,858	156	3,577

Average age at 31 March 2005: 66.8 years

Average age at retirement: 57.6 years

[1] Equals initial amounts of pension plus all accrued indexation to and including 1 January 2005, reduced by any CPP and PBDA offsets in effect as at 31 March 2005. All pensions are in pay except for 20 retirement pensions deferred to age 60.

Table 30 Male Former Civilian Member Disability Pensioners
Number and Average Annual Pension[1] as at 31 March 2005

Age Last Birthday	Superannuation Account		Pension Fund	
	Number	Average ($)	Number	Average ($)
30-34	1	10,620	1	3,312
35-39	1	9,108	1	744
40-44	7	11,664	4	3,111
45-49	2	17,112	-	-
50-54	7	18,946	-	-
55-59	11	28,756	3	856
60-64	12	17,655	-	-
65-69	11	13,898	-	-
70-74	7	11,195	-	-
75-79	3	12,292	-	-
All Ages	62	17,170	9	2,119

Average age at 31 March 2005: 59.8 years

Average age at retirement: 50.5 years

[1] Equals initial amounts of pension plus all accrued indexation to and including 1 January 2005, reduced by any CPP and PBDA offsets in effect as at 31 March 2005.

Table 31 Female Former Civilian Member Retirement Pensioners
Number and Average Annual Pension[1] as at 31 March 2005

Age Last Birthday	Superannuation Account		Pension Fund	
	Number	Average ($)	Number	Average ($)
35-39	1	11,364	-	-
40-44	3	10,361	2	1,365
45-49	2	22,347	-	-
50-54	14	20,392	7	3,295
55-59	46	30,920	37	2,547
60-64	45	22,415	22	3,230
65-69	50	20,012	7	1,882
70-74	48	16,871	-	-
75-79	27	17,058	-	-
80-84	22	15,110	-	-
85-89	7	15,538	-	-
90-94	-	-	-	-
95-99	-	-	-	-
100-104	1	18,804	-	-
All Ages	266	20,807	75	2,724

Average age at 31 March 2005: 67.4 years

Average age at retirement: 57.3 years

[1] Equals initial amounts of pension plus all accrued indexation to and including 1 January 2005, reduced by any CPP and PBDA offsets in effect as at 31 March 2005. All pensions are in pay except for 13 retirement pensions deferred to age 60.

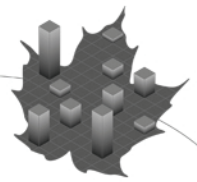


Table 32 Female Former Civilian Member Disability Pensioners
Number and Average Annual Pension[1] as at 31 March 2005

Age Last Birthday	Superannuation Account		Pension Fund	
	Number	Average ($)	Number	Average ($)
30-34	1	456	1	3,744
35-39	6	7,244	3	992
40-44	11	9,358	7	2,441
45-49	16	14,431	8	2,220
50-54	32	17,648	15	1,413
55-59	19	19,483	8	1,319
60-64	9	15,021	2	750
65-69	4	10,842	-	-
70-74	4	10,431	-	-
75-79	4	7,527	-	-
80-84	1	8,268	-	-
85-89	1	7,800	-	-
All Ages	108	14,621	44	1,700

Average age at 31 March 2005: 54.2 years

Average age at retirement: 45.9 years

[1] Equals initial amounts of pension plus all accrued indexation to and including 1 January 2005, reduced by any CPP and PBDA offsets in effect as at 31 March 2005.

Table 33 Female Eligible Spouses
Number and Average Annual Allowance[1] as at 31 March 2005

Age Last Birthday	Superannuation Account		Pension Fund	
	Number	Average ($)	Number	Average ($)
30-34	2	4,572	2	2,004
35-39	16	9,239	8	1,427
40-44	34	9,896	13	1,558
45-49	69	12,876	16	1,457
50-54	122	13,937	24	1,809
55-59	152	14,744	14	1,196
60-64	171	17,433	7	931
65-69	223	15,475	1	444
70-74	221	15,090	-	-
75-79	133	12,927	-	-
80-84	71	13,227	-	-
85-89	60	11,846	-	-
90-94	27	13,507	-	-
95-99	4	5,964	-	-
Widows	1,305	14,443	85	1,484

Average age at 31 March 2005: 67.6 years
Average age at at death of contributor: 55.0 years

[1] Equals initial amounts of annual allowance plus all indexation to and including 1 January 2005.

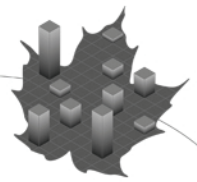


Table 34 Male Eligible Spouses and Children
Number and Average Annual Allowance[1] as at 31 March 2005

Age Last Birthday	Superannuation Account		Pension Fund	
	Number	Average ($)	Number	Average ($)
30-34	-	-	-	-
35-39	1	6,336	1	2,172
40-44	-	-	-	-
45-49	6	8,050	3	2,152
50-54	4	10,800	1	2,580
55-59	6	6,797	3	1,456
60-64	3	16,469	-	-
65-69	1	17,376	-	-
70-74	4	11,889	-	-
75-79	2	6,853	-	-
Widowers	27	9,876	8	1,947
Children	214	2,724	88	340

Average age at 31 March 2005: 58.7 years
Average age at at death of contributor: 53.1 years

Table 35 RCA Retirement Pensioners[2]
Number and Average Annual Pension as at 31 March 2005

Age Last Birthday	Former Regular Members		Former Civilian Members	
	Number	Average ($)	Number	Average ($)
50-54	7	1,595	-	-
55-59	48	2,229	3	3,052
60-64	21	1,866	2	5,344
All Ages	76	2,071	5	1,679

1 Equals initial amounts of annual allowance plus all indexation to and including 1 January 2005.
2 All are male retirement pensioners.

Appendix 14 – Detailed Demographic Assumptions

Table 36 Assumed Seniority and Promotional Salary Increases
(percentage of annual earnings)

Regular Members		Civilian Members	
Service in the Force[1]	Increase[2]	Pensionable Service[1]	Increase
0	23.0	0	6.0
1	8.0	1	5.2
2	7.0	2	4.5
3	1.3	3	3.9
4	1.0	4	3.5
5	0.4	5	3.2
6	4.4	6	2.9
7	0.4	7	2.7
8	0.4	8	2.4
9	0.9	9	2.2
10	0.5	10	2.0
11	0.5	11	1.9
12	0.6	12	1.8
13	0.6	13	1.6
14	1.1	14	1.6
15	0.6	15	1.5
16	0.6	16	1.5
17	0.7	17	1.4
18	0.7	18	1.4
19	1.2	19	1.3
20	0.7	20	1.3
21	0.8	21	1.2
22	0.8	22	1.2
23	0.8	23	1.1
24	1.3	24	1.1
25	0.7	25	1.0
26	0.7	26	1.0
27	0.7	27	1.0
28	0.7	28	1.0
29	1.2	29	1.0
30	0.7	30	1.0
31	0.7	31	1.0
32	0.7	32	1.0
33	0.7	33	1.0
34	1.2	34	1.0
35+	0.7	35+	1.0

[1] Expressed in completed years.
[2] Includes 0.5% attributable to Service Pay allowance increases on every fifth anniversary of engagement and 4.0% at duration six for Senior Constable allowances.

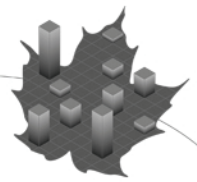


Table 37 Assumed Rates of Pensionable Retirement for Regular Members
(per 1,000 people)

Age Last Birthday	Completed Years of Service in the Force						
	19	20-22	23	24-28	29-33	34	35
37	1	-	-	-	-	-	-
38	2	2	-	-	-	-	-
39	4	7	-	-	-	-	-
40	6	11	-	-	-	-	-
41	8	15	30	-	-	-	-
42	9	16	35	35	-	-	-
43	11	20	39	39	-	-	-
44	12	22	41	44	-	-	-
45	13	24	46	46	-	-	-
46	13	25	50	46	-	-	-
47	15	27	53	50	59	-	-
48	15	28	54	52	63	-	-
49	16	28	59	66	71	-	-
50	17	31	64	67	76	-	-
51	19	33	72	73	85	-	-
52	21	38	87	91	106	245	-
53	32	55	119	128	135	343	234
54	42	74	174	182	184	362	362
55	47	84	198	209	203	421	383
56	53	93	206	219	232	431	436
57	58	102	221	228	243	440	447
58	69	121	230	255	281	489	457
59	1,000	1,000	1,000	1,000	1,000	1,000	1,000

Table 38 Assumed Rates of Pensionable Retirement for Civilian Members
(per 1,000 individuals)

Age Last Birthday	Completed Years of Pensionable Service								
	0	1-8	9-13	14-18	19-23	24-28	29-33	34	35
49	-	5	10	15	20	30	50	-	-
50	-	5	10	15	20	30	50	-	-
51	-	5	10	15	20	30	50	-	-
52	-	5	10	15	20	30	50	100	-
53	-	5	10	15	20	30	100	100	100
54	-	20	40	60	60	60	250	500	800
55	-	20	40	60	60	60	100	320	500
56	-	20	40	60	70	70	210	380	500
57	-	20	40	60	70	70	300	420	500
58	-	20	40	60	70	70	390	460	500
59	-	270	270	270	280	660	680	680	680
60	-	200	200	200	200	500	500	500	500
61	-	200	200	200	200	200	250	250	250
62	-	200	200	200	200	200	250	250	250
63	-	200	200	200	200	600	600	600	600
64	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000

Table 39 Assumed Rates[1] of Pensionable Disability
(per 1,000 individuals)

Age Last Birthday	Regular Members		Civilian Members	
	Male	Female	Male	Female
20	0.4	0.5	0.3	0.4
21	0.4	0.5	0.3	0.4
22	0.4	0.5	0.3	0.4
23	0.4	0.5	0.3	0.4
24	0.4	0.5	0.3	0.4
25	0.5	0.6	0.4	0.5
26	0.5	0.6	0.4	0.5
27	0.5	0.6	0.4	0.5
28	0.5	0.6	0.4	0.5
29	0.5	0.6	0.4	0.5
30	0.6	1.0	0.4	0.6
31	0.6	1.3	0.4	0.7
32	0.6	1.7	0.5	0.7
33	0.7	2.4	0.5	0.8
34	0.8	3.2	0.6	1.0
35	0.9	4.3	0.7	1.3
36	1.2	4.9	1.0	1.6
37	1.3	5.3	1.3	1.8
38	1.5	6.0	1.6	2.0
39	1.7	6.5	1.7	2.3
40	2.0	7.2	1.8	2.5
41	2.3	7.8	1.9	2.6
42	2.6	8.3	2.2	2.9
43	3.1	8.9	2.3	3.1
44	3.8	9.6	2.5	3.5
45	4.5	10.3	2.8	4.0
46	5.4	10.8	2.9	4.3
47	6.5	11.4	3.1	4.8
48	7.4	12.1	3.8	5.4
49	8.4	12.6	4.4	6.0
50	9.6	13.3	5.0	6.7
51	10.9	14.6	5.6	7.4
52	12.4	16.1	6.4	8.2
53	14.0	17.5	7.0	9.1
54	15.9	19.1	7.6	10.1
55	18.0	20.9	8.4	11.2
56	20.4	23.0	9.5	12.5
57	23.1	25.4	10.7	13.7
58	26.2	28.1	12.0	15.1
59	29.8	31.0	13.3	16.7

[1] Rates apply only if at least two years of pensionable service have been completed, but not if the sum of the age (minimum 55 years) and the years of pensionable service is at least 85. Rates are halved for the plan year in which these criteria are first met or ceased to be met.

Table 40 Assumed Rates of Termination of Employment[1]
(per 1,000 individuals)

Regular Members			Civilian Members[2]		
Service in the Force[3]	Male	Female	Pensionable Service[3]	Male	Female
0	21	36	0	45	60
1	14	26	1	29	47
2	14	25	2	27	44
3	13	22	3	26	44
4	12	22	4	26	42
5	11	21	5	24	37
6	8	19	6	16	30
7	8	17	7	13	26
8	8	18	8	11	25
9	7	16	9	9	24
10	7	15	10	9	23
11	6	15	11	7	22
12	5	14	12	6	20
13	5	12	13	6	18
14	4	9	14	5	14
15	3	6	15	3	9
16	2	5	16	2	7
17	2	3	17	2	4
18	1	2	18	1	3
19	1	1	19	1	2
20+	0	0	20+	0	0

1 Includes all terminations resulting in a lump sum payment or a deferred annuity, other than deaths leaving no eligible survivor(s) and occurring after at least two years of pensionable service.
2 Rates at durations two and over do not apply from age 50 onward.
3 Expressed in completed years.

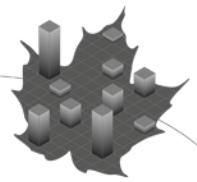


Table 41 Assumed Rates of Mortality Excluding Disability Pensioners
For 2006 Plan Year (per 1,000 individuals)

Age Last Birthday	Regular Members[1]		Civilian Members[1]		Surviving Spouses	
	Male	Female	Male	Female	Male	Female
25	0.6	0.3	0.7	0.3	0.8	0.3
30	0.7	0.3	1.0	0.3	1.2	0.4
35	0.8	0.4	1.0	0.5	1.6	0.6
40	1.1	0.6	1.2	0.7	1.7	0.9
45	1.3	0.8	1.6	0.8	2.1	1.3
50	2.1	1.0	2.4	1.2	3.3	2.2
55	3.3	1.7	4.3	2.1	5.5	3.6
60	5.6	3.4	7.8	4.0	9.5	5.9
65	10.0	6.5	14.2	7.4	15.8	9.3
70	17.5	10.3	24.0	12.4	25.4	15.1
75	31.3	17.2	39.8	20.9	41.7	25.3
80	56.6	30.3	67.2	36.5	70.1	43.4
85	94.3	53.2	111.1	63.7	113.4	74.9
90	144.0	94.3	179.7	110.1	173.5	127.6
95	206.7	153.5	275.1	180.4	252.8	205.5
100	283.0	230.5	366.6	272.0	353.2	313.6
105	371.2	327.7	425.8	382.7	454.9	432.4
110	439.9	412.1	459.1	467.9	493.0	484.4
115	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0

[1] Rates apply to both contributors and retirement pensioners.

Table 42 Assumed Rates of Mortality for Disabled Pensioners
For 2006 Plan Year (per 1,000 individuals)

Age Last Birthday	Former Regular Members		Former Civilian Members	
	Male	Female	Male	Female
25	1.4	0.6	2.2	0.7
30	1.9	0.7	2.7	0.7
35	2.4	1.0	3.2	1.2
40	3.0	1.4	3.7	1.6
45	3.5	1.9	4.2	2.1
50	4.9	2.6	5.9	2.9
55	7.3	3.7	9.0	4.5
60	11.6	6.2	14.8	7.6
65	18.3	10.5	23.0	11.8
70	27.8	14.4	33.7	17.4
75	42.0	22.3	51.5	27.1
80	62.9	36.1	79.8	43.4
85	94.5	57.8	120.4	69.1
90	144.0	94.3	179.7	110.1
95	206.7	153.5	275.1	180.4
100	283.0	230.5	366.6	272.0
105	371.2	327.7	425.8	382.7
110	439.9	412.1	459.1	467.9
115	1,000.0	1,000.0	1,000.0	1,000.0

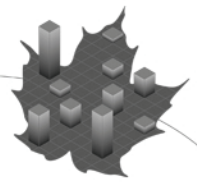


Table 43 Assumed Longevity Improvement Factors

Age Last Birthday	Initial and Ultimate Plan Year Mortality Reductions[1] (%)			
	Male		Female	
	2006	2027+	2006	2027+
20	2.80	0.80	1.50	0.70
25	3.40	0.80	1.95	0.70
30	3.70	0.80	1.80	0.70
35	3.35	0.80	1.35	0.70
40	2.65	0.80	0.95	0.70
45	2.10	0.71	1.35	0.61
50	2.30	0.65	1.60	0.55
55	2.65	0.65	1.65	0.55
60	2.75	0.65	1.75	0.55
65	2.60	0.56	1.45	0.52
70	2.20	0.50	1.10	0.50
75	1.85	0.50	1.15	0.50
80	1.30	0.50	0.95	0.50
85	0.55	0.44	0.30	0.44
90	0.10	0.40	0.00	0.40
95	0.00	0.40	0.00	0.40
100	0.00	0.31	0.00	0.31
105	0.00	0.25	0.00	0.25
110+	0.00	0.00	0.00	0.00

[1] The mortality rate reduction applicable during any plan year within the 21-year select period is found by linear interpolation between the figures for plan years 2006 and 2027.

Table 44 Assumed Probability[1] of an Eligible Spouse[2] at Death of Member

Age Last Birthday	Regular Members		Civilian Members	
	Male	Female	Male	Female
25	0.42	0.36	0.34	0.57
30	0.70	0.49	0.43	0.57
35	0.81	0.53	0.48	0.57
40	0.90	0.53	0.57	0.57
45	0.88	0.53	0.66	0.56
50	0.86	0.52	0.73	0.56
55	0.86	0.51	0.78	0.55
60	0.86	0.48	0.80	0.52
65	0.83	0.45	0.79	0.49
70	0.78	0.41	0.73	0.45
75	0.73	0.37	0.68	0.40
80	0.65	0.30	0.61	0.33
85	0.55	0.23	0.51	0.25
90	0.42	0.15	0.40	0.16
95	0.29	0.08	0.27	0.09
100	0.16	0.03	0.15	0.04
105	0.08	0.01	0.07	0.01
110	0.03	0.00	0.03	0.00

1 Does not apply if the deceased member was a contributor with less than two years of pensionable service.
2 Assumed to be of the opposite sex.

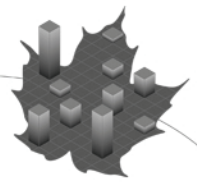


Table 45 Assumptions for Survivor Allowances[1]

Age Last Birthday at Death	Male			Female		
		Eligible Children			Eligible Children	
	Eligible Spouse Age Difference[2]	Average Number	Average Age	Eligible Spouse Age Difference[2]	Average Number	Average Age
25	(1)	0.18	3	1	0.12	2
30	(1)	0.94	4	2	0.76	3
35	(1)	1.29	8	2	1.09	7
40	(1)	1.30	12	2	1.15	11
45	(2)	1.22	16	2	1.01	15
50	(2)	0.80	19	3	0.61	19
55	(2)	0.32	20	3	0.24	21
60	(3)	0.14	21	3	0.06	23
65	(3)	0.05	22	3	0.02	24
70	(3)	0.02	23	2	-	
75	(3)	0.02	24	2	-	
80	(3)	-		2	-	
85	(4)	-		1	-	
90	(5)	-		-	-	
95	(6)	-		(2)	-	
100	(8)	-		(3)	-	
105	(10)	-		(6)	-	
110	(13)	-		(9)	-	

1 Payable unless the deceased member was a contributor with less than two years of pensionable service.
2 Age of spouse less age of member, both calculated at death of member.

Appendix 15 – Acknowledgements

The Office of the Comptroller General of the Treasury Board of Canada Secretariat provided a certification of the assets of the plan as at 31 March 2005.

Morneau Sobeco provided relevant valuation input data on contributors, pensioners and survivors. The co-operation and able assistance received deserve to be acknowledged.

The following individuals assisted in the preparation of this report:

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