Ministry of Justice

New Judicial Pension Scheme

Scheme Guide

November 2014

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Contents

Introduction

This guide details the features of the **New Judicial Pension Scheme** (NJPS). Members will be able to accrue benefits under this scheme from 1 April 2015. This guide will cover the basic design of the scheme, and other arrangements for members.

Background

The NJPS is to open to members including eligible fee paid Judges on 1 April 2015 and will be open to all UK judiciary, except where terms and conditions are specifically non-pensionable, or where a judge is a member of another judicial pension scheme in respect of his or her service. This includes eligible fee-paid Judges.

This scheme will launch upon the closure of the existing Judicial pension scheme, which will close to new members from 31 March 2015, except where transitional provisions apply.

The statutory framework for the establishment of the NJPS is the Public Service Pensions Act 2013 (‘the Act’) and scheme regulations.

Membership

A Judge, either fee-paid or salaried, will be eligible to join the NJPS if they were:

- First appointed to judicial office after 1 April 2012;
- In eligible service at 1 April 2012, and at that date under 51 years 6 months; or
- In eligible service at 1 April 2012, and at that date under the age of 55, and have reached the end of any period of tapering protection.

A Judge who does not meet any of the above conditions will accrue pension benefits under another judicial pension scheme.

Eligibility and admission to membership

An eligible individual is enrolled in the NJPS from their first day of service, unless a member is eligible for any form of transitional provision.

A member may opt out of scheme membership at any time. Opting out within one month from first joining the scheme is backdated to Day 1; otherwise, it generally takes effect from the beginning of the next payment of a salary or fee after notice of opting out is given.

Individuals who either have opted out of the scheme, or initially chose not to join the scheme, will be able to opt in to membership at a later date. A member will not be able to opt in more than once within a twelve-month period.

Member contributions

Alongside the implementation of the reformed scheme, the rates of member contributions for all members of the judiciary are set to change. The member contributions outlined below will be the rate paid as part of membership of any judicial pension scheme from 2015/16.

As there is no limit on years of pension accrual under the NJPS 2015, contributions are payable throughout service. These rates are fixed in the regulations until 2018/19. However, the annual salary bandings do change over this period.

For those judicial office holders not working on a full time basis, the method of calculation of member contributions will be calculated under an 'actual earnings' approach.

Under the 'actual earnings' approach, contributions would be assessed on the annual rate of pensionable earnings **in each pay period**. This would fluctuate within a given scheme year dependent on the applicable member contribution rate for that pay period.

There are no Dependent Pension Contributions applicable under the NJPS. All member contributions paid in respect of the NJPS will be subject to tax relief. As no Dependant Pension Contributions are paid, a refund will not be provided those unmarried at retirement.

Member contributions under the NJPS (2015-2019)

Annual Rate of Pensionable Earnings 2015/16	Rate of Member Contributions
Up to and including £15,000	4.60%
£15,001 - £21,000	4.60%
£21,001 - £47,000	5.45%
£47,001 - £150,000	7.35%
£150,001 and above	8.05%

Annual Rate of Pensionable Earnings 2016/17	Rate of Member Contributions
Up to and including £15,000	4.60%
£15,001 - £21,210	4.60%
£21,211 - £48,471	5.45%
£48,472 - £150,000	7.35%
£150,001 and above	8.05%

Annual Rate of Pensionable Earnings 2017/18	Rate of Member Contributions
Up to and including £15,000	4.60%
£15,001 - £21,422	4.60%
£21,423 - £51,005	5.45%
£51,006 - £150,000	7.35%
£150,001 and above	8.05%

Annual Rate of Pensionable Earnings 2018/19	Rate of Member Contributions
Up to and including £15,000	4.60%
£15,001 - £21,636	4.60%
£21,637 - £51,515	5.45%
£51,516 - £150,000	7.35%
£150,001 and above	8.05%

Employer cost cap

The member contribution rates may change after a subsequent actuarial valuation that shows a substantial change in the overall cost of the scheme, either up or down. At this point member contributions may be amended to reflect the changing cost of the scheme.

As part of these reforms, each scheme must set an ‘employer cost cap’. This cap is to be used for measuring changes in the cost of the scheme. The employer cost cap must be expressed as a percentage of pensionable earnings of all members of the scheme.

The employer cost cap figure will be included in the scheme regulations, and will provide a benchmark for future valuations of scheme costs to be measured against. The initial employer cost cap will be the target cost to the employer for the judicial pension scheme, represented as a percentage of pensionable earnings.

This employer cost cap figure has been assessed to be 25.7% of pensionable pay by the scheme actuary, the Government Actuary’s Department (GAD). Scheme valuations are scheduled to take place every four years in the reformed public service pension schemes, with the next valuation scheduled for completion in 2019. If a future valuation indicates that the cost has moved significantly away from the employer cost cap, two percentage points either above or below, the scheme must take action to bring the cost of the scheme back to the employer cost cap.

This action to return the cost of the scheme to the cap could take the form of amending scheme benefits for future accruals to alter the overall cost of the scheme, or by altering the level of member contributions so that a higher or lower level of employer contributions is required.

Scheme features

The NJPS differs from other judicial pension schemes in that it is based on a career average accrual model. This is in line with other reformed public service pension schemes implemented in response to the report of the Independent Public Service Pension Commission.

Scheme design

The key elements of the reforms that affect scheme members' pensions are:

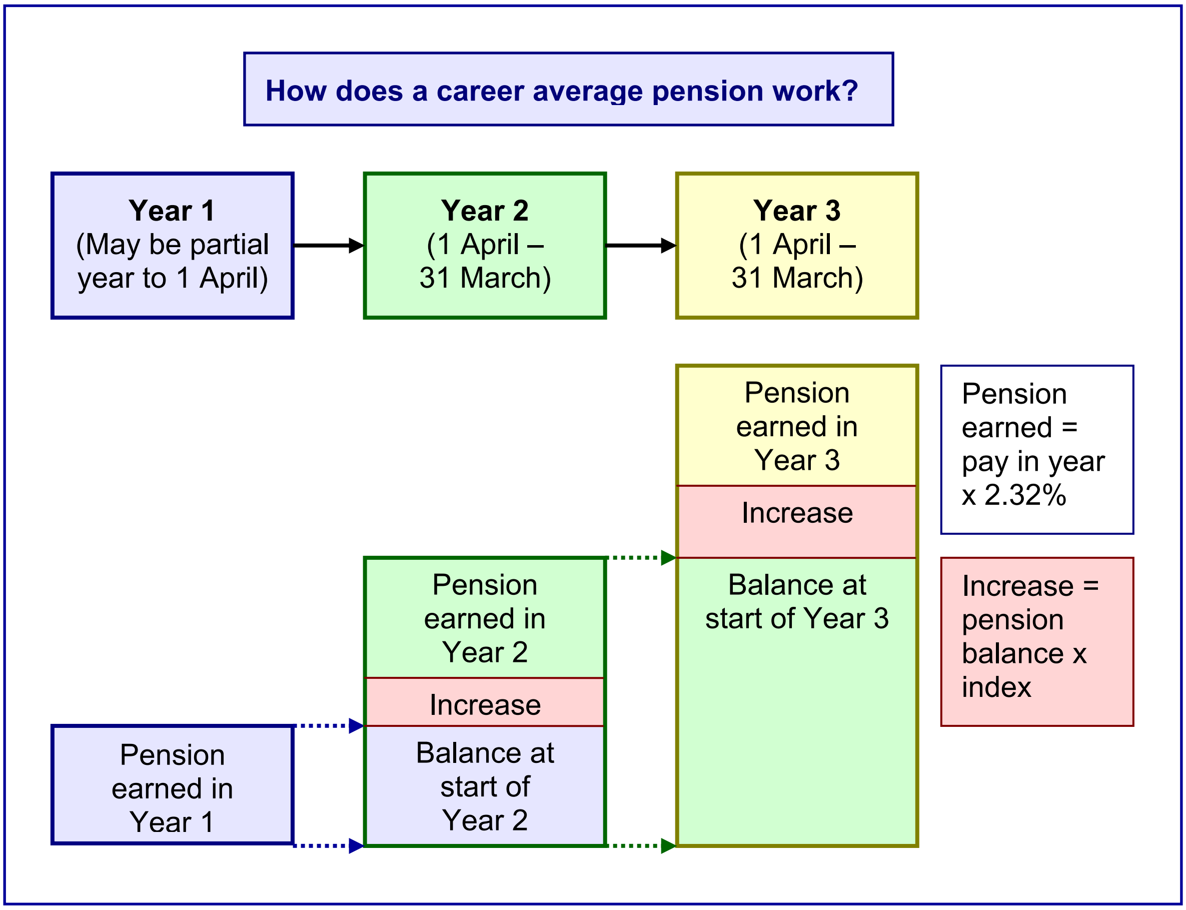
- A pension scheme design based on 'career average' accrual model.
- No restriction on the number of accruing years in service.
- An accrual rate of 2.32% of pensionable earnings each year (1/43.1).
- Revaluation of active, deferred and retired scheme members' benefits in line with the index set under the Pensions Increase Act 1971 (currently in line with CPI).
- Normal Pension Age linked to State Pension Age.
- Scheme is registered for tax purposes.
- Optional tax-free lump-sum commutation at a rate of 12:1, subject to HMRC limits and regulations.
- Pension for surviving adults of 37.5% of the member's pension, and pensions for eligible children.

Pension benefits

The NJPS 2015 is a 'career average' pension scheme. Every scheme year, a member will 'bank' an amount of pension in their individual pension account at a rate of 2.32% of their pensionable earnings in that scheme year.

For full time salaried members of the judiciary, and those on salaried part-time working arrangements, 'pensionable earnings' will equate to their actual salary in that scheme year. For fee-paid judiciary eligible for the NJPS, the pensionable earnings will be equivalent to their total fee income in that scheme year.

A Judge's final pension is then made up of the amounts 'banked' each scheme year, with index-linking applied.



Annual revaluation (index-linking) of benefits

The value of a member's pension is maintained by applying index-linking annually. The rate of indexation will apply to all scheme members, be they active, deferred or retired.

There is nothing in the legal framework that guarantees increases by reference to a particular index. The level of increases is decided following the Secretary of State for Work and Pensions' annual review of the general level of prices. The NJPS, as well as the other public service schemes, apply the increase as directed by a HM Treasury Order that reflects the Secretary of State's decision.

For the NJPS, the rate will be set to be equivalent to CPI, via an HM Treasury Order. The revaluation will occur at the beginning of each subsequent scheme year, i.e. April.

The NJPS rules do not set out the method of revaluing pensions. The NJPS, along with other public service pension schemes, is increased under the provisions of the Pensions Increase Act 1971.

The revaluation of the member's pension will apply to the entire pension pot at the beginning of each year.

Each member will receive an annual benefit statement clearly explaining the current value of his or her pension.

Optional lump sum commutation

The NJPS will not provide an automatic lump sum. However, scheme members will be able to take a part of their earned pension as a lump sum, subject to HMRC tax limits. The maximum amount for a tax-free lump sum is set by HMRC rules for tax-registered schemes and is generally the lesser of:

- 25% of the HMRC pension valuation; and
- 25% of the member's remaining Lifetime Allowance.

On retirement, members are allowed to 'commute' – or give up – some pension in exchange for lump sum. The commutation rate in the NJPS 2015 will be 12:1. This means that each £1 of pension given up buys £12 of lump sum. This commutation will have no knock-on effect on pensions for dependants, which continues to be based on pre-commutation amounts.

Qualifying periods

Scheme members will need two years' qualifying service to qualify for any pension benefits drawn before pension age. This includes benefits for dependants. Service in a judicial pension scheme immediately prior to moving into the NJPS will be added to NJPS service to calculate 'qualifying service'.

On leaving the scheme with less than two years' service, an individual will have the option of a refund of contributions, or a transfer value to another pension scheme or arrangement.

The NJPS is open to both salaried and eligible fee-paid judiciary. Qualifying service is calculated by reference to start and end dates and does not vary depending on full-time or part-time status. Any requirements for a minimum period of qualifying service will look at a combination of service in all judicial pension schemes.

Reckonable service

Each year and part-year of service is reckonable for judicial pension purposes except in the following circumstances:

- Non Reckonable Absences

  Where a scheme member takes unpaid leave or a career break the period of such leave will not count towards service for pension benefits and no member contributions will be payable.

Age at which pension is payable

The age at which pension in the NJPS will become payable will be linked to a scheme member's State Pension Age (SPA). Members will have the right to draw their pension before scheme pension age but, under current legislation, not before age 55.

Pension drawn before scheme pension age will be subject to an early retirement reduction, reflecting the fact that the pension will be in payment for longer than would have been the case if the member retired at scheme pension age. The reduction will be determined using factors set by the Scheme Manager having taken advice from the scheme actuary, the Government Actuary's Department.

A member may opt to make periodical payments throughout their career to attain a pension age of any period up to three years below the member's normal pension age, provided that it would achieve an 'effective pension age' of at least 65. This option will allow a member to be able to access their pension before normal pension age, without reduction.

Upon leaving the scheme, members will also have a facility to make a one-off payment to 'buy out' the early retirement reduction. The scheme pension age in the NJPS will be linked to the State Pension Age, which is currently 66, rising to 67 by April 2028.

If a member decides to stay beyond retirement, a late retirement enhancement will be applied, reflecting the fact that the pension will be in payment for a shorter time than would have been the case if the member had retired at scheme pension age. The enhancement, or 'Late Retirement Addition', will be determined using factors set by the Scheme Manager having taken advice from the scheme actuary.

The Government has stated that it wants a regular and more structured way of considering increases to the State Pension Age to make sure the State Pension system is affordable in the long term and fair between generations. Further details on the current State Pension Age timetable and the plans for future review are available here:

www.gov.uk/government/policies/reviewing-the-state-pension-age

If a scheme member's State Pension Age changes, all benefits accrued under the NJPS will be linked to the new age. This means any new SPA will be the age at which the member's entire pension under the NJPS, including pension earned before that change, is available on an unreduced basis.

State retirement benefits

The NJPS is a Contracted-Out salary-related pension scheme for the purposes of the Pension Schemes Act 1993. As the scheme is 'Contracted-Out', a scheme member will pay reduced National Insurance contributions, but will not accrue additional state benefits beyond basic state pension entitlements.

This does not affect entitlement to the basic (flat-rate) state retirement pension and provided that their record of national insurance contributions is sufficient to meet the relevant conditions, holders of judicial office will be entitled to receive the basic state retirement pension from state retirement age. 'Contracting- Out' will cease from April 2016.

Tax considerations

Judges should note that as the NJPS is to be a tax-registered scheme, pension benefits accrued will count towards Annual and Lifetime Allowances.

Judges who have registered with HMRC for Enhanced Protection or Fixed Protection need to be aware that if they join the pension scheme, they will lose those Protection rights. Judges to whom this applies must make clear at the time of taking up appointment that they do not wish to join the scheme.

Options for scheme members

There will be a number of options available to members of the NJPS that include:

- Commutation of pension for a tax-free pension lump sum;
- Allocation of member pension for additional pension for dependant(s); and
- Purchase of added pension.

Commutation

The NJPS will not provide an automatic lump sum. At retirement, members can commute part of their earned pension into a lump sum (subject to HMRC tax limits). The pension will convert at a rate of £1 of annual pension for £12 of lump sum.

Reducing annual pension in this way has no impact on pensions for dependants as these are based on pension pre-commutation.

The maximum amount of tax-free lump sum is set by HMRC rules for tax-registered schemes and is generally the lesser of:

- 25% of the HMRC pension valuation; and
- 25% of the member's remaining Lifetime Allowance.

Allocation

Allocation allows a member to surrender part of his or her own pension to provide a pension for a financial dependant, payable following the member's death. A 'dependant' in this context means a person who is financially dependent on a scheme member or a person with whom the scheme member is financially interdependent.

The option is exercisable on the member's retirement or during active service. However, once made, this decision cannot be revoked. As a result, this option tends to be exercised upon retirement.

The annual pension for a financial dependant will be calculated by multiplying the surrendered part of the member's pension by an 'Allocation Factor'. This 'Allocation Factor' depends on the relative ages and gender of the scheme member and the dependant.

There are restrictions on the amount of pension a member may choose to allocate in that the scheme member's pension cannot be less than the total of pensions paid to adult dependants.

The option is only available where an appointed medical advisor is satisfied with the health of the scheme member. This is not available where the member is retiring on grounds of ill-health.

Members opting for allocation must be aware of the attendant risks of this option. Specifically that the reduction to their pension is permanent and will apply even if the beneficiary predeceases them.

Purchasing additional benefits

In the NJPS, judges will have the following options:

- Paying additional contributions (or lump sums) to purchase ‘Added Pension’. It will be priced by the scheme actuary. The total amount of Added Pension that an individual can purchase will be subject to limits set by HM Treasury (currently £6,500 per annum).
- Transferring other private or occupational pensions into the NJPS within 12 months of joining the scheme, subject to limits on the amount that can be transferred.
- Making contributions into the AVC scheme to build up a pension pot to be invested by the third-party provider, and which will be drawn according to HMRC rules.
- Making periodical payments throughout a career to attain a pension age of any period up to three years below the member’s normal pension age, provided that it would achieve “effective pension age” of at least 65.
- Upon leaving the scheme, members will have a facility to make a one-off payment to ‘buy out’ the early retirement reduction. The scheme pension age in the NJPS will be linked to the State Pension Age, which is currently 66.

Leaving the scheme

Early retirement

Active and deferred members of the NJPS will have a right to draw their NJPS pension before scheme pension age, after the age of 55. While a member must make a formal claim to have their pension brought into payment early, the consent of the department is not required.

Early retirement in the NJPS is subject to the member being entitled to deferred benefits, that is, they must have a minimum of two years' qualifying service.

Pension drawn before scheme pension age will be subject to an early retirement reduction, reflecting the fact that the pension will be in payment for longer than would have been the case if the individual retired at scheme pension age.

This reduction will be permanent and will be determined using factors provided by the scheme actuary. Any surviving adult pension will be based off the full pension, regardless of any actuarial reduction.

Upon leaving the scheme, members will have a facility to make a one-off payment to 'buy out' the early retirement reduction. The scheme pension age in the NJPS will be linked to the State Pension Age, which is currently 66.

If this option of 'buying out' the early retirement reduction is exercised, the pension would then be brought into payment on an unreduced basis. The level of this one-off payment will be dependent upon the individual's circumstances and will be calculated by the scheme actuary.

It should be noted that a buyout payment made to the scheme by a member would attract tax relief subject to HMRC limits. The buyout payment would not count directly for Annual Allowance purposes, as the Annual Allowance calculation reflects the amount of pension accrued in a year, not the level of contributions made by a member.

Deferment

Deferment means a judge who is no longer accruing benefits in the scheme, but is not yet eligible to draw their pension.

Under the NJPS, if a member is in deferment, the member's pension will be preserved, and subject to enhancement in accordance with the Pension Increase Act 1971 at the point of drawing their pension.

Late retirement

Late retirement means drawing pension (and lump sum, if applicable) from the scheme, after the scheme pension age. If a member wishes to take late retirement, they will be eligible for a 'late retirement addition'.

The late retirement addition will be calculated by taking the balance in the individual's pension account at 31 March of the previous year, multiplied by a percentage. This calculation will be determined using factors provided by the scheme actuary. The late retirement addition would be applied from in the April following the individual's attainment of scheme pension age

The member will still accrue annual pension in the career average scheme on top of this late retirement addition, and the pension earned in late retirement addition will be added to the member's overall pension balance.

It should be noted that as this will be classed as 'pension accrued in a year' for tax purposes, any late retirement addition would be subject to the Annual Allowance.

In subsequent years after scheme pension age, a late retirement addition will be calculated with reference to the pension account balance at the end of the previous year.

It should be noted that the late retirement arrangements described here will also apply in the event of partial retirement if that takes place after scheme pension age. In the instance of a member taking partial retirement, and also late retirement beyond pension age, the late retirement addition would be applied to the member's second pension account, as their first account will already be in payment by virtue of the member taking partial retirement.

Late retirement in deferment

Late retirement in deferment means drawing pension (and lump sum, if applicable) from the scheme, after the scheme pension age, whilst a member is in deferment.

If a member wishes to take late retirement whilst in deferment, they will be eligible for a 'late retirement addition'.

The late retirement addition will be calculated by taking the balance in the individual's pension account at 31 March of the previous year, multiplied by a percentage. This calculation will be determined using factors provided by the scheme actuary. The late retirement addition would be applied from the April following the individual's attainment of scheme pension age.

The pension earned in late retirement addition will be added to the member's overall pension balance.

In subsequent years after scheme pension age, a late retirement addition will be calculated with reference to the pension account balance at the end of the previous year.

Partial retirement

Partial retirement allows scheme members to draw pension benefits while remaining in office. Where a member opts for partial retirement, they can draw all their benefits, or decide on the proportion of their benefits they wish to draw.

Someone who opts for partial retirement would draw benefits from their pension account, and at that point would open a second pension account in the NJPS. This second account is used to accrue benefits going forward, whilst at the same time drawing pension benefits from their first account.

Partial retirement in the NJPS will only be possible where an individual's working patterns have changed such that an individual's pensionable earnings have reduced to no more than 80% of the amount before the change. For instance, if a judge was to sit four days a week, instead of five days, this would 80%. Subject to business needs, where an individual is working on a salaried part time basis (SPTW), the administrative requirement to meet 50% working time may be relaxed.

The partial retirement option is only available once, and must be exercised within three months of the reshaping of the individual's working pattern. A member would be entitled to retire if he is aged at least 55 and, if under his pension age, has two years' qualifying service. For the purpose of determining if an individual had sufficient qualifying service however, service in previous judicial pension scheme would be taken into account.

In comparison, previous judicial pension schemes do not offer partial retirement and pensions are payable only on retirement from judicial office. As a result of this, partial retirement would only apply in respect of service in the NJPS.

Sitting in retirement

The NJPS allows for re-employment after retirement so that a pensioner member in respect of one qualifying judicial office can simultaneously be an active member in respect of a different qualifying judicial office.

For sitting in retirement from 1 April 2015, there will be a consistent approach for all judicial office holders; this will apply except where the post-retirement appointment is specifically non-pensionable.

For pension that has been earned from service pre-retirement, the pension will continue to be paid during sitting in retirement. Whilst sitting in retirement, service will be pensioned from NJPS whether fee-paid or salaried. No alternative remuneration will be provided where the judicial office holder chooses to opt out.

The sitting in retirement rules will apply only where there has been a retirement; judges who are members of the NJPS may be able to use partial retirement as an alternative.

Medical retirement

The NJPS will provide a single level of ill-health retirement benefits whereby:

- Ill-health pensions would be payable to a judge who had "suffered a permanent breakdown in health involving incapacity for employment". This is a similar standard as is applied under JUPRA.
- The pension would be payable for life and equal to the accrued pension, plus half of the expected pension that the member would have accrued before scheme pension age, which in the NJPS will be tied to the State Pension Age. This is also the same enhancement as under JUPRA.

Under the NJPS, a period of two years' qualifying service will be required to apply for an award of pension benefits due to the incidence of ill-health. The Scheme Manager will also have to be satisfied by means of a medical certificate that states that the member has suffered a permanent breakdown in health involving incapacity for employment.

It is proposed that in exceptional circumstances, the Scheme Manager, after consideration by the Pension Board, will have discretion to bring an ill-health pension into payment without the required two years' qualifying service. This requirement for qualifying periods will be a divergence from the current arrangements.

If a member was to retire on the grounds of ill-health in the new scheme, they will receive a pension equal to their accrued pension as well as an enhancement equal to half of the expected pension that the member would have accrued before scheme pension age, which in the NJPS 2015 is tied to State Pension Age.

In the event a scheme member has accrued benefits in a former judicial scheme and the NJPS 2015 before retiring on the grounds of ill-health, the accrued pension would be brought into payment, along with the NJPS 2015 accrued pension, but any enhancement would come from the NJPS 2015.

Death in service

A scheme member's dependants, or nominated beneficiaries, will be awarded a 'Death in Service' (DIS) lump sum through the NJPS should the member die in service. A single 'Death in Service' lump sum is paid in respect of current and former judicial pension membership.

Along with a lump sum payment, the NJPS will also provide pensions for eligible children and surviving adults upon a member's death.

Death in service lump sum calculation

Under the NJPS, the DIS lump sum will be calculated as **the greater of**:

- 2 x 'Final Pay' (less any lump sums already paid – from all schemes); and
- 5 x the member's new scheme pension (less the total of pension payments already made from the new scheme)

'Final Pay' in this context is defined as the greater of:

- the amount of a member's pensionable earnings in the 12 months, ending with the last day of pensionable service;

The amount of a member's pensionable earnings for any scheme year in the 10 scheme years immediately before the last active scheme year ("the earnings year")

Nomination of beneficiaries

Scheme members may nominate one or more beneficiaries to receive the lump sum, and specify how the benefits are to be apportioned between them. The scheme rules provide for:

- One or more individuals;
- One incorporated or unincorporated body; or
- One or more individuals and one incorporated or unincorporated body.

As mentioned above, beyond the Death in Service lump sum, there will be a pension available for survivors of members that have died in service. These pensions will be available to both 'surviving adults' and 'eligible children'.

For judges that have accrued service in more than one Judicial scheme, surviving adults and eligible children will each receive two pension payments one in respect of the service in each scheme. Any enhancement will be calculated and paid in accordance with NJPS rules.

Dependants' pensions

The NJPS will pay a pension to a surviving spouse or civil partner upon a member's death. This pension will be equal to 3/8 (37.5%) of the scheme member's pension plus an enhancement factor, and will be payable for life.

Where there is no surviving spouse or civil partner, the NJPS may pay a pension to a 'surviving adult' dependant. This 'surviving adult' pension would be calculated in the same manner as any pension for a spouse or civil partner.

To be determined a surviving adult; a person must satisfy the Scheme Manager that immediately before the member's death:

- The person and the member were cohabiting as partners in an exclusive, committed long-term relationship;
- That neither party were prevented from marrying or entering into a civil partnership; and
- The relationship was one of financial dependence or interdependence.

The NJPS will provide a pension to surviving adults, for life, regardless of the age of the survivor, if the survivor meets the above criteria.

A 'surviving adult' pension under the NJPS will be paid for life. It does not stop if the survivor remarries or enters into a new relationship. However, where the surviving adult is more than 12 years younger than the member, the pension is to be reduced by 2.5% for every year over twelve (subject to a maximum reduction of 50%).

Children's Pensions

Definition of eligible children

The NJPS rules are required to operate within the HMRC definition of 'dependant' and are proposed to define an eligible child as:

A natural or adopted child of the member who meets any of the following conditions:

- Under age 18;
- In full-time education and under age 23; or
- Unable to engage in gainful employment because of physical or mental impairment <u>and</u> either a) aged under 23, or b) the impairment is, in the opinion of the scheme medical advisor, likely to be permanent and the person is dependent on the member as at the date of the member's death because of physical or mental impairment.

Any other young person who meets any of the three conditions listed above, and was financially dependent on the member at the date of the member's death, will also be eligible for a pension.

When a child ceases to be an eligible child (typically on leaving full-time education or reaching age 23), their pension will stop, but this will not result in recalculation of pensions to the other children. If the child subsequently re-qualifies for pension – for instance, on going into higher education after a gap year – their pension will recommence without impacting pensions for any other children.

To meet the HMRC definition of ‘dependant’, financial dependency must exist. This term is not defined and it is, as far as HMRC are concerned, for the Scheme Manager to determine whether this condition is satisfied.

The Pension Board will be asked to consider whether a person is considered an eligible child based on these requirements, with the ability to make recommendations to the Scheme Manager if any discretion is to be made.

Pension for adult survivors and for eligible children are subject income tax in the hands of the recipient.

Partnership Pension Account

Features

The NJPS is a career average, defined benefit pension scheme. As an alternative to this scheme, members of the judiciary will be offered the option of a tax-registered stakeholder pension scheme, to be known as the Partnership Pension Account (PPA).

The PPA provided as part of these reforms is to be equivalent to the partnership scheme provided as part of the reformed civil service pension arrangements. As with the civil service approach, the design of this scheme is not provided for in the draft regulations.

The PPA will be offered to all judicial office holders eligible to join the NJPS, and can be opted for in lieu of joining the career average scheme. By opting for the PPA, a member would not be able to accrue benefits in the career average scheme.

As a member of the PPA scheme, a judge would hold an account with a nominated third party provider, into which the member and the department would pay contributions. The member would hold the relationship with the third-party provider and would be able to select a fund or investment strategy for the account.

NJPS 2015 Partnership Pension Account - Key Features:

- Member contributions of 3% of pensionable earnings
- Matched employer contribution of 3% of member's pensionable earnings
- Additional employer contribution of 16% of member's pensionable earnings
- Member holds relationship directly with provider

Eligibility

All judges eligible to join the NJPS 2015 will be able to opt to join the Partnership Pension Account in lieu of the NJPS 2015 career average scheme.

A judge will retain the right to move between the career average and the PPA arrangements. This is subject to any changes as an outcome of the 2014 budget statement on the form in which pensions may be taken. Details on the HM Treasury consultation on freedom and choice in pensions is available here:

www.gov.uk/government/consultations/freedom-and-choice-in-pensions

The PPA is flexible in its design in that a member can draw their pension any time after turning 55 years old, under current legislation, and the member does not have to be in retirement to do so. A member can choose the timing to fit in with their personal circumstances.

For comparison, a judge would not be able to draw their NJPS pension before retiring from judicial office, and drawing such a pension before their normal pension age would result in an actuarially reduced pension.

It should be noted that the act of opting out of the NJPS career average scheme to join the PPA will be classified as 'leaving the scheme' for the purposes of final salary linking in respect of the accrued benefits under a pre-2015 scheme.

If a member was to opt for the PPA over the career average scheme, any accrued benefits would be preserved upon joining the PPA and then up-rated upon retirement in accordance with the Pensions Increase Act 1971.

Contributions

The design of the judicial Partnership Pension Account is in line with the reformed partnership account that will be available as part of the reformed civil service arrangements from 1 April 2015.

There will be no limit on the amount of pensionable earnings a member may contribute. There will however be a minimum contribution of 3% of pensionable earnings. The department will make a 'matching' contribution capped at 3% of pensionable earnings. The department will also make an additional employer contribution to each member's PPA. This additional employer contribution will be set at 16% of the member's pensionable earnings. These contribution rates are in line with the highest rate available under the reformed civil service scheme.

Member contributions	Matching employer contributions	Additional employer contributions	Total member and employer contributions
3% (min.)	3%	16%	22% (min.)

All contributions will be paid directly into the member's account with the third-party provider. This account will be managed by the member, and the member will hold the relationship directly with the provider. Detailed scheme information on the PPA is available on request.

Alternative format versions of this report are available on request from judicialpensionreview@justice.gsi.gov.uk