

## **Annex C: Partnership Pension Account – Update 11 September 2014**

The department is now in a position to provide further details on the proposed Partnership Pension Account (PPA), which will be open to all those eligible to join the New Judicial Pension Scheme 2015 (NJPS 2015). This update amends the original consultation document. The information in this document supersedes the information in the original consultation document and where there is any contradiction between the two the information in this document should be used.

The department is now able to announce the appointment of Prudential plc ('Prudential') as the nominated provider of the PPA as part of the NJPS 2015.

Prudential already provide services to salaried judges through the existing Judicial Added Voluntary Contributions Scheme (JAVCS). From 1 April 2015, the JAVCS will be open to all judges who are active members of a judicial pension scheme.

Detailed information on the PPA and the Prudential's available funds and options will be provided to judges as part of the judicial pensions options exercise, which for salaried judges will take place later this year. For fee-paid judges it is currently anticipated that an options exercise will take place in the New Year.

### **Scheme features**

The NJPS 2015 is a standalone pension scheme, but is to be analogous to the reformed civil service pension scheme. The 'Partnership Pension Account' for civil servants has also been under a period of reform ahead of 1 April 2015. As a result, the department has not been in a position to confirm details of the PPA for judicial official holders before this point. As with the civil service scheme, the PPA will not be provided for in the scheme regulations.

#### **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 Prudential

### **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.

In a divergence from the reformed civil service scheme where there are a number of age bandings that reflect the demographics of the civil service, the department has decided to offer

a single flat rate of contributions for all judges. This is to reflect the differences in the age demographics of the judicial membership. A breakdown of the contributions is detailed in the table below. All contribution rates are based off an individual member’s pensionable earnings.

<b>Member contributions</b>	<b>Matching employer contributions</b>	<b>Additional employer contributions</b>	<b><u>Total</u> member and employer contributions</b>
3% (min.)	3%	16%	22% (min.)

All contributions will be paid directly into the member’s account with the third-party provider, Prudential. This account will be managed by the member, and the member will hold the relationship directly with Prudential.

**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.

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 2015 pension before retiring from judicial office, except in the instance of partial retirement. Additionally, drawing such a pension before a judge’s normal pension age would result in an actuarially reduced pension.

It should be noted that the act of opting out of the NJPS 2015 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. This is in line with the approach in the reformed civil service scheme.

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

The department welcomes comment on the proposed design of the PPA.