Judicial Pension Scheme (JPS) reform – July 2012

Introduction

The Government accepted the recommendations for pension reform following Lord Hutton's independent review of public service pensions. This leaflet provides more detail on the changes.

The changes to all public service pensions are in <u>**two stages**</u>**:**

1. **From April 2012: Scheme member contribution increased.**
2. **From April 2015: A new pension scheme will start with new rules.**

Stage 1: Scheme member contributions increases - from April 2012

From 1 April 2012, all those judges still accruing service in the JPS pay contributions towards their personal pension benefits. Contributions to judicial pensions are made up of two elements:

1. **Departments' contribution** – the majority of the cost (currently 32.15% of gross pay.
2. **JPS member contribution** – these represent contributions to both personal and dependants pension benefits and are deducted from salary. The rates are adjusted to reflect the tax status of the JPS (the JPS is not a registered pension scheme so there is no tax relief on contributions paid). The dependants contribution rate is either 1.8% or 2.4% (this higher rate applies to those few JPS members in the 15 year 1981 pension scheme still accruing pensionable service). The personal pension contribution rate is 1.28% for all those members who have not yet accrued full service.

Scheme member contributions are due to increase by an average of 3.2% points of pay over the three years which began on 1 April 2012. Further increases will take effect from April 2013 and April 2014.

Stage 2: A new pension scheme - from April 2015

A new pension scheme for judges will be introduced in April 2015. The Government has proposed that the new 2015 Civil Service pension scheme (PCSPS) provides the best fit for the need of the judiciary in respect of the accrual rate and required contributions given the reform expectations that Lord Hutton set out. The reformed PCSPS offers an accrual rate of 1:43.1 compared with the current JPS of 1:40. The range of benefits the new scheme offers is also broadly comparable with those of the existing JPS.

Who is affected:

- **If you are a judge <u>less than 10 years</u> from the current JPS pension age (in most cases 65) on 1 April 2012**, you will remain in the current JPS scheme with the existing rules still applying until you retire. However, judges will pay the increased contributions planned to be phased over the next two years. Contributions from 1 April 2015 are expected to be in line with those of the 2015 PCSPS.

- **If you are <u>10 years or over but less than 13.5 years</u> from the current JPS pension age (in most cases 65) on 1 April 2012**, you could also stay in the current JPS scheme for a period beyond April 2015, the length of which will be calculated according to age. Judges would then move to the new scheme and will also pay the increased contributions phased in over the next two years.

- **All other current JPS scheme members will move into the new scheme in April 2015** for service beyond this date.

What would change:

- **A new 'Scheme Pension Age' in line with your 'State Pension Age'** (due to increase to 68 over time). This is the age at which judges can draw their new scheme benefits in full. Judges would not have to work until this age and could retire earlier but their pension benefits would normally be reduced because it would be paid out for longer (this is consistent with the current JPS for those retiring before normal pension age).
- **A new way of calculating benefits earned after April 2015.** A move to a 'career average' scheme from 'final salary' for those currently in the JPS scheme. The new scheme benefits would be based on an average of judges' earnings each year until they leave or retire, rather than the final salary judges are paid.
- **Indicative proposed scheme member contributions of 7.35% for those judges earning up to £149,999 and 9% for those earning £150,000 and above.** The new scheme will be registered for tax purposes and so the rates given are gross before tax relief.
- **A new 'accrual rate' of 2.32% equivalent to 1:43.1.** The accrual rate is the percentage of a judge's pay that the proposed scheme draws on to calculate accruing pension benefits that are salary related. This is not the employer contribution. The accrual rate for the current JPS scheme is either 1:40 for most members or 1:30 for some members that were in post before 31 March 1995.

What will stay the same (for everyone):

- **The pension and lump sum judges have already earned** up to April 2015, based on the current scheme rules, will not be affected – it will be preserved until the judge leaves or retires.
- **Judges will keep a guaranteed level of pension** - 'defined benefit' and so will not need to make decisions on how a fund delivers the benefits when the judge retires. Unlike most other pension schemes, the scheme is based on a proportion of salary rather than investment returns where the income is less predictable.

For any queries please contact: judicialpensionreview@justice.gsi.gov.uk

The ongoing benefits of being a member of the new scheme

- The pension scheme will remain a very effective way to save for retirement and the benefits will remain far greater than those on offer from most other employers. It is still a very important element of the overall reward package.
- Departments will continue to pay the majority of the cost of the pension through the 'employer' contribution (currently 32.15% of salary).
- Contributions are made from salary before any tax is taken. This means take-home salary will not be reduced by the full amount of the increase.
- If judges were to leave the pension scheme to make their own pension arrangements and wished to maintain comparable benefits they would have to pay considerably more and if the same contribution was paid as now the pension would be considerably less than now.
- Judges will keep a guaranteed level of pension – based on a proportion of salary, not an uncertain amount based on investment returns.
- The pension scheme will continue to provide valuable additional benefits including death in service payments and dependants' pensions.