# Northern Ireland Judicial Pension Scheme

Scheme Guide

**Updated 1 September 2018**

Alternative formats versions of this report are available on request from:

Management Support Branch
Northern Ireland Courts & Tribunal Service
2nd Floor
Laganside House
23-27 Oxford Street
BELFAST
BT1 3LA

Tel: 028 9072 8863

Email: NIJPS@courtsni.gov.uk

# Contents

# Introduction

**Please Note:**
The Department of Justice ("the Department"), in compliance with Article 30 of the General Data Protection Regulations (GDPR), has published a Privacy Notice setting out a record of the processing of data, including how information is gathered for and on behalf of the Northern Ireland Judicial Pension Scheme (NIJPS); the basis for processing this data; and your rights under GDPR.

A copy of the Privacy Notice is available on the Departments website and can be accessed by clicking the following link:
www.justice-ni.gov.uk/articles/northern-ireland-judicial-pension-scheme

This guide details the features of the **NIJPS**, covering the basic design of the scheme, and other arrangements for members.

## Background

The NIJPS is open to eligible members of the devolved judiciary, as specified in an order [The Public Service Pensions Act (Northern Ireland) 2014 (Judicial Offices) Order (Northern Ireland) 2015] made by the Department, 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. The complete schedule of offices eligible for a pension is contained in **Annex A**.

This scheme was established following the closure to new members of the previous judicial pension scheme under the Judicial Pensions and Retirement Act 1993 (known as JUPRA) on 31 March 2015.

The statutory framework for the establishment of the NIJPS is the Public Service Pensions Act (Northern Ireland) 2014 ('the Act') and the Judicial Pensions Regulations (Northern Ireland) 2015 (the scheme regulations).

## Membership

A judge is eligible to join the NIJPS if he or she was:

- first appointed to an eligible judicial office (listed at annex A) 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 has 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 NIJPS 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 salary or fee. Individuals, who have either chosen to opt out of the scheme or initially not to join the scheme, will be able to opt into membership at a later date. A member will not be able to opt in more than once within a twelve-month period.

## Scheme governance

The Department is the Scheme Manager for the NIJPS and as such the Department is responsible for managing and administering the scheme. The day-to-day administration of the scheme is contracted out to Xafinity Punter Southall Administration (XPSA) by the Ministry of Justice (MOJ) as part of a contract for administering all UK judicial pension schemes, including JUPRA, Judicial Pension Scheme 2015 (JPS 2015) and the Fee Paid Judicial Pension Scheme. A Memorandum of Understanding has been agreed between the Department and the MOJ in relation to this contract.

The Northern Ireland Judicial Pension Board is responsible for assisting the Scheme Manager:

- to secure compliance with the scheme regulations, any other legislation relating to the governance and administration of the scheme, and any requirements imposed by the Pensions Regulator in relation to the scheme; and
- in the performance of the Scheme Manager's functions under the scheme regulations.

The Board consists of an independent chair appointed by the Department and equal numbers of employer representatives and member representatives appointed by the chair and with the approval respectively of the Department and the Lord Chief Justice of NI. The members are:

- Ms Jill Youds (independent chair);
- Mr Peter Luney (employer representative);
- Employment Judge Neil Drennan QC (member representative);
- Susan Andrews (independent member).

Further information about the Board is available on the Department of Justice web site at: - ***https://www.justice-ni.gov.uk/articles/northern-ireland-judicial-pension-scheme***

The Northern Ireland Judicial Pension Scheme Advisory Board ('the Scheme Advisory Board') is responsible for providing advice to the Department, at the Department's request, on the desirability of making changes to the scheme. The Scheme Advisory Board's membership is Ms Youds, Mr Luney and Employment Judge Neil Drennan QC.

The Scheme's Internal Dispute Resolution arrangements have been put in place and more details are available on the scheme web page at https://www.justice-ni.gov.uk/publications/ni-judicial-pension-scheme-internal-dispute-resolution-procedure or on request from the Northern Ireland Courts and Tribunal Service (contact details are noted below).

## Contacts

Jordan Watkins (Client Manager)
Xafinity Punter Southall Administration
Albion
Fishponds Road
Wokingham
Berkshire
RG41 2QE

Tel: 0118 313 0910

Elaine Higgins (Business Manager)
Northern Ireland Judicial Pension Scheme
Management Support Branch
Northern Ireland Courts and Tribunals Service
Laganside House
23-27 Oxford Street
Belfast
BT1 3LA

Tel: 028 9041 2929

(9am – 5pm Monday to Friday)

Email: NIJPS2015@puntersouthall.com Email: NIJPS@courtsni.gov.uk

## Pension advisory bodies

The Pensions Advisory Service is available at any time to assist members and beneficiaries with pensions questions and also issues they have been unable to resolve with the trustees or managers of the pension scheme.

Tel: 0800 011 3797
Post: The Pensions Advisory Service
11 Belgrave Road
LONDON
SW1V 1RB
Web: http://www.pensionsadvisoryservice.org.uk/

The Pensions Ombudsman may investigate and determine certain complaints or disputes about pensions that are referred to the Pensions Ombudsman in accordance with the Pension Schemes Act 1993 c.49 Individuals can ask the Pensions Ombudsman to look into complaints about how pension schemes are run. In some situations employers, trustees and pension scheme managers can ask them to look into a problem.

Tel: 0800 917 4487
Email: mailto:enquiries@pensions-ombudsman.org.uk
Post: Pensions Ombudsman Service
10 South Colonnade
Canary Wharf
E14 4PU
Web: https://www.pensions-ombudsman.org.uk/

The Pensions Regulator may intervene in the running of schemes where trustees, managers, employers or professional advisers have failed in their duties.

Tel: 0345 600 0707
Email: customersupport@tpr.gov.uk
Post: The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW
Web: http://www.thepensionsregulator.gov.uk/

**Note:** Information correct as at 1 September 2018.

## Member contributions

The member contribution rates outlined below have been effective from 1 April 2015.

As there is no limit on years of pension accrual under the NIJPS, contributions are payable throughout service. These rates are fixed in the scheme 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 are assessed on the annual rate of pensionable earnings **in each pay period**. This will fluctuate within a given scheme year dependent on the applicable member contribution rate for that pay period.

There are no dependant pension contributions applicable under the NIJPS. All member contributions paid in respect of the NIJPS will be subject to tax relief. As no dependant pension contributions are paid, a refund will not be provided to those without dependants at retirement.

### Member contributions under the NIJPS

The Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)) employee contribution rates were set to mirror those of the GB scheme PCSPS(GB). These rates were set, such that the scheme would receive an average member contribution yield of 5.6%, as agreed with the civil service unions (GB) in the main scheme design points.

MOJ also set the contribution rates of the JPS 2015 to mirror those of PCSPS(GB), following a consultation on the Judicial Pension Scheme reform. The Department then set the contribution rates of the NIJPS scheme to mirror those of JPS 2015.

It is not necessarily the case that the contribution rates of PCSPS(NI), PCSPS(GB), JPS 2015 and NIJPS will mirror each other in the future.

### Employer contributions under the NIJPS (2015-2019)

The NIJPS employer contribution rate was set to be equal to the rate used for the JPS 2015 scheme. This was set by MOJ to be equal to the rate recommended by the Government Actuary's Department (GAD) in the Preliminary Valuation of the scheme as at 31 March 2012 which is published at https://www.gov.uk/government/consultations/judicial-pension-reform-new-judicial-pension-scheme-2015-consultation. The rate in the report was calculated according to the Directions published by HM Treasury (Treasury). The Department of Finance (DoF) made Directions[1] in November 2014 in relation to NI schemes, including NIJPS so that the JPS 2015 scheme valuation was to be treated as if it were the valuation for NIJPS. MOJ added 0.25% of pay to the rate in the GAD report to reflect the cost of administration of the scheme. The rate in the GAD report was calculated by assessing the projected cost of the pensions being accrued from 2015 to 2019 in the final salary and career-average (CARE) schemes, allowing for projected membership changes over this period. There was an adjustment made for any surplus or deficit at 2015, to be paid over the 15 years from 2015 to 2030. The projected average member contribution rate from 2015 to 2019 was taken into account, so that in effect the employer and member would together be meeting the total cost of the scheme.

[1] The Public Service Pensions (Valuations and Employer Cost Cap Directions (Northern Ireland) 2014) and amendment

| 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.

An ‘employer cost cap’ has been set for the NIJPS. As specified in the DoF 2014 Directions this is set at the level of the employer cost cap set for the JPS 2015. This cap is used for measuring changes in the cost of the scheme. The employer cost cap is expressed as a percentage of pensionable earnings of all members of the scheme.

The employer cost cap figure is included in the scheme regulations, and provides a benchmark for future valuations of scheme costs. The initial employer cost cap is the target cost to the employer for the NIJPS, represented as a percentage of pensionable earnings.

This employer cost cap figure has been assessed by GAD (the scheme actuary) to be 25.7% of pensionable pay. Scheme valuations are scheduled to take place every four years, 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 NIJPS differs from previous 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:

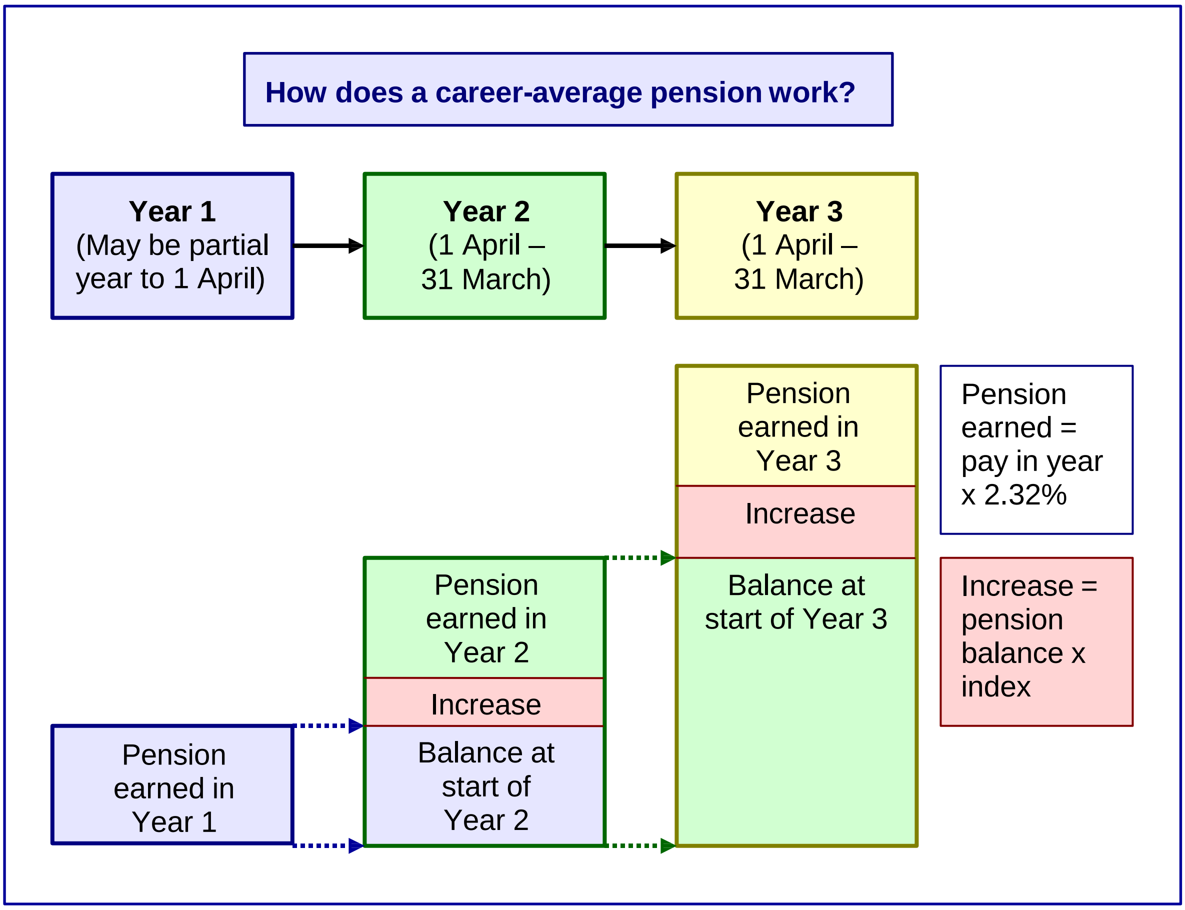
- A pension scheme design based on 'career-average' accrual model.
- No restriction on the number of accruing years in service.
- An accrual rate of 2.32% of pensionable earnings each year (1/43.1).
- Revaluation of active, deferred and retired scheme members' benefits in line with the index set under the Pensions (Increase) Act (Northern Ireland) 1971 (currently in line with the Consumer Prices Index (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 NIJPS is a 'career-average' pension scheme. Every scheme year, members 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.

A member'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 applies 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 NIJPS, as well as the other public service schemes, will apply the increase as directed by an order made by the Department of Finance.

For the NIJPS, the rate will be set to be equivalent to the consumer prices index (CPI) a measure of inflation calculated by the Office for National Statistics. The revaluation will occur at the beginning of each subsequent scheme year, i.e.1 April.

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

The revaluation of the member's pension will apply to the entire pension pot at the beginning of each year (a period of one year beginning with 1 April and ending with 31 March).

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

### Optional lump sum commutation

The NIJPS does not provide an automatic lump sum. However, scheme members are 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 NIJPS is 12:1. This means that each £1 of pension given up buys £12 of lump sum. This commutation has no knock-on effect on pensions for dependents, which continue to be based on pre-commutation amounts.

### Qualifying periods

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

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

The NIJPS is open to both salaried judiciary 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 the period of such leave is not counted towards service for pension benefits and no member contributions are payable.

### Age at which pension is payable

The age at which pension in the NIJPS is payable is linked to a scheme member's State Pension Age (SPA). Members 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 is subject to an early retirement reduction, reflecting the fact that the pension is in payment for longer than would have been the case if the member retired at scheme pension age. The reduction is determined using factors set by the Scheme Manager having taken advice from the scheme actuary.

Members may opt to make periodic payments throughout their careers 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 allows a member to be able to access his or her pension before normal pension age, without reduction.

Upon leaving the scheme, members also have a facility to make a one-off payment to 'buy out' the early retirement reduction. The scheme pension age in the NIJPS is linked to the State Pension Age.

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 NIJPS 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 NIJPS, including pension earned before that change, is available on an unreduced basis.

### State retirement benefits

The Pensions Act (Northern Ireland) 2015 made provision for the abolition of contracting-out with effect from 6 April 2016. The current basic state pension and second state pension have been replaced by a single-tier state pension. The NIJPS was, until 5 April 2016, contracted-out of the second state pension. From 6 April 2016, NIJPS members are no longer contracted-out of the second state pension, but rather pay the higher rate of contracted-in National Insurance Contributions (NICs).

The Judicial Pensions (Amendment) Regulations (Northern Ireland) 2016 makes provision for ensuring the increases in GMPs after the abolition of contracting-out on 6 April 2016.

It is important to note that these changes will not affect accrued NIJPS pension scheme benefits or scheme benefits built up in the future.

Further information about the new State Pension, including changes to National Insurance for members of schemes, such as the NIJPS, can be found at the links below:

https://www.gov.uk/browse/working/state-pension;

https://www.gov.uk/new-state-pension.

### Tax considerations

Judges should note that as the NIJPS is a tax-registered scheme, pension benefits accrued will count towards Annual and Lifetime Allowances. The Chancellor announced in his emergency budget of July 2015 that pension tax relief for high earners and other high-income individuals was to be restricted. Further information on these important changes can be found in the Judicial Pension Information Note 3 (click link below).

https://www.justice-ni.gov.uk/sites/default/files/publications/justice/judicial-pensions-info-note-3.pdf

Judges who have registered with HMRC for Enhanced Protection or Fixed Protection need to be aware that when 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 NIJPS 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 NIJPS does 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 dependent is 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 dependent.

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 dependents.

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 NIJPS, members have the following options:

- *Paying additional contributions (or lump sums) to purchase 'Added Pension'*. The payment required will be priced by the scheme actuary. The total amount of Added Pension that an individual can purchase is subject to limits set by HM Treasury (currently £6,500 per annum).

- *Transferring other private or occupational pensions into the NIJPS within 12 months of joining the scheme, subject to limits on the amount that can be transferred*. This supplements rights conferred by or under chapters 4 and 5 of Part 4 of the Pension Schemes (Northern Ireland) Act 1993 and is without prejudice to these chapters.

- *Making periodic 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 have a facility to make a one-off payment to 'buy out' the early retirement reduction*. The scheme pension age in the NIJPS is linked to the State Pension Age.

- *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*. It should be noted that in relation to money purchase benefits, such as AVCs or PPA, that the value of the pension will depend on several factors including the amount of the contributions paid, the performance of investments and the cost of converting the benefit into an annuity.

# Leaving the scheme

### Early retirement

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

Early retirement in the NIJPS is subject to the member being entitled to deferred benefits, that is, he or she must have a minimum of two years of qualifying service.

Pension drawn before scheme pension age is 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 is permanent and is 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 have a facility to make a one-off payment to 'buy out' the early retirement reduction. The scheme pension age in the NIJPS is linked to the State Pension Age.

If this option of 'buying out' the early retirement reduction is exercised, the pension will 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 buy-out payment made to the scheme by a member will attract tax relief subject to HMRC limits. The buy-out payment will 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 relates to a member who is no longer accruing benefits in the scheme, but is not yet eligible to draw his or her pension.

Under the NIJPS, if a member is in deferment, the member's pension is preserved, and subject to enhancement in accordance with the Pensions (Increase) Act (Northern Ireland) 1971 at the point of drawing his or her pension.

It is not possible to transfer from unfunded, defined benefit public service pension schemes to defined contribution schemes.

Further information is available on request from XPSA.

### Re-Joining NIJPS after leaving

If a member leaves the scheme with more than two years of service, he or she will be awarded a preserved (deferred) pension. However, should a member re-join the scheme within five years (qualifying period) the preserved pension will be automatically linked to the new period of service. Some adjustments, based on prices, will be applied as if the member had continued to be an active member during his or her time out of the scheme.

However, should a member re-join the scheme after the five year period the preserved pension cannot be linked and will remain deferred.

### 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, he or she will be eligible for a 'late retirement addition'.

The late retirement addition is calculated by taking the balance in the individual's pension account at 31 March of the previous year, multiplied by a percentage. This calculation is determined using factors provided by the scheme actuary. The late retirement addition will be applied from 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 will 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 will be applied to the member's second pension account, as his or her 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, he or she 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

Previous judicial pension schemes do not offer partial retirement and such pensions are payable only on retirement from judicial office.

The terms of appointment of members of NIJPS may enable them to take partial retirement. If a member opts for partial retirement he or she can draw pension benefits whilst remaining in office, draw all their benefits, or decide on the proportion of their benefits they wish to draw.

A member who opts for partial retirement would draw benefits from his or her pension account, and at that point would open a second pension account in the NIJPS. This second account is used to accrue benefits going forward, whilst at the same time drawing pension benefits from his or her first account.

Partial retirement in the NIJPS would only be possible where an individual's terms of appointment 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 were to sit four days a week, instead of five days, this would be 80%.

The partial retirement option is only available once, and must be exercised within three months of the reshaping of the individual's working pattern. If availing of this option, a member would be entitled to retire if he or she has reached the normal minimum pension age for the scheme and, if under his or her pension age, has two years of qualifying service. For the purpose of determining if an individual had sufficient qualifying service however, service in a previous judicial pension scheme would be taken into account.

### Sitting in retirement

The NIJPS 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 NIJPS. 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 NIJPS may be able to use partial retirement as an alternative.

### Medical retirement

The NIJPS provides a single level of ill-health retirement benefits whereby:

- Ill-health pensions would be payable to a member who had "suffered a permanent breakdown in health involving incapacity for employment". This is a similar standard as is applied under the existing judicial pension scheme, the Judicial Pensions and Retirement Act 1993 (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 NIJPS will be tied to the State Pension Age. This is also the same enhancement as under JUPRA.

Under the NIJPS, a period of two years of qualifying service is 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.

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 of qualifying service. This requirement for qualifying periods is a divergence from the previous arrangements under JUPRA.

If a member were to retire on the grounds of ill-health in the NIJPS, he or she would receive a pension equal to his or her 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 NIJPS is tied to State Pension Age.

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

## Death in service

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

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

### Death in service lump sum calculation

Under the NIJPS, the DIS lump sum is calculated as **the greater of**:

- 2 x 'Final Pay' (less any lump sums already paid – from all schemes); or
- 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; or
- 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 beneficiaries to be:

- 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 members who have accrued service in more than one judicial scheme, surviving adults and eligible children will each receive pension payments from each scheme, in respect of the service in each scheme. Any enhancement will be calculated and paid in accordance with NIJPS rules.

### Dependents' pensions

The NIJPS 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 NIJPS may pay a pension to a 'surviving adult' dependent. This 'surviving adult' pension would be calculated in the same manner as any pension for a spouse or civil partner.

To be determined as 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;
- neither party was prevented from marrying or entering into a civil partnership; and
- the relationship was one of financial dependence or interdependence.

The NIJPS 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 NIJPS 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 NIJPS rules are required to operate within the HMRC definition of 'dependant' and 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
- in the opinion of the scheme manager is unable to engage in gainful employment because of physical or mental impairment and either a) aged under 23, or b) the impairment is 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), his or her 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, upon going into higher education after a gap year – his or her pension will recommence without impacting pensions for any other children.

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

The Pension Board will be asked to consider whether or not 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 to income tax in the hands of the recipient.

# Partnership Pension Account

## Features

The NIJPS is a career-average, defined benefit pension scheme. As an alternative to this scheme, members of the judiciary are offered the option of a tax-registered stakeholder pension scheme, known as the Partnership Pension Account (PPA). The design of this scheme is not provided for in the scheme regulations.

The PPA is offered to all judicial office-holders eligible to join the NIJPS, and may be opted for in lieu of joining the NIJPS. By opting for the PPA, a member is not able to accrue benefits in the NIJPS.

As a member of the PPA scheme, a member holds an account with a nominated third-party provider (Prudential plc) into which the member and his or her employer pay contributions. The member has the relationship with Prudential and is able to select a fund or investment strategy for the account.

It should be noted that in relation to money purchase benefits, such as AVCs or PPA, that the value of the pension will depend on several factors including the amount of the contributions paid, the performance of investments and the cost of converting the benefit into an annuity.

**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 has relationship directly with Prudential

## Eligibility

All judges eligible to join the NIJPS are able to opt to join the Partnership Pension Account in lieu of the NIJPS scheme.

A member retains the right to move between the NIJPS and the PPA arrangements.

The PPA is flexible in its design in that a member can draw his or her pension any time after reaching the age of 55 years and the member does not have to be in retirement to do so. A member can choose the timing to fit in with his or her personal circumstances.

For comparison, a member will not be able to draw his or her NIJPS pension before retiring from judicial office, and drawing such a pension before normal pension age will result in an actuarially reduced pension.

It should be noted that the act of opting out of the NIJPS to join the PPA is 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 opts for the PPA over the NIJPS, any accrued benefits will be preserved upon joining the PPA and then up-rated upon retirement in accordance with the Pensions (Increase) Act (Northern Ireland) 1971 or the Pensions Increase Act 1971 as appropriate.

### Contributions

The design of the Northern Ireland judicial Partnership Pension Account is in line with the MOJ PPA scheme.

There is no limit on the amount of pensionable earnings a member may contribute. There is, however, a minimum contribution of 3% of pensionable earnings. The employer makes a 'matching' contribution capped at 3% of pensionable earnings. The employer also makes an additional contribution to each member's PPA. This additional employer contribution is set at 16% of the member's pensionable earnings. These contribution rates are in line with the MOJ PPA scheme.

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

All contributions are paid directly into the member's account with Prudential. This account is be managed by the member, and the member has the relationship directly with the provider. Detailed scheme information on the PPA is available from Prudential.

**<u>Annex A</u>**

### *Specified Judicial Offices*

The Northern Ireland Judicial Pension Scheme (NIJPS) is a scheme for the payment of pensions and other benefits to or in respect of holders of the following judicial offices specified by the Department of Justice in The Public Service Pensions Act (Northern Ireland) 2014 (Judicial Offices) Order (Northern Ireland) 2015:

President of appeals tribunals (within the meaning of Chapter 1 of Part 2 of the Social Security (Northern Ireland) Order 1998(1)) appointed under Article 6 of that Order.

Member of a panel constituted under Article 7(1) of the Social Security (Northern Ireland) Order 1998 who is appointed to serve as a member of that panel and is a barrister or solicitor.

President or Vice-President of the Industrial Tribunals and the Fair Employment Tribunal, appointed under Article 82 of the Fair Employment and Treatment (Northern Ireland) Order 1998(2).

Member of a panel of chairmen appointed under Article 82 of the Fair Employment and Treatment (Northern Ireland) Order 1998.

Member of a panel of chairmen appointed under regulation 4(1)(a) of the Industrial Tribunals (Constitution and Rules of Procedure) Regulations (Northern Ireland) 2005(3).

President or other member of the Lands Tribunal, where that office is held on a salaried basis.