

Review Body on Senior Salaries

*Report on the comparison of the pension schemes of the
Senior Civil Service, Judiciary and Senior Military*

Prepared by:

*Watson Wyatt LLP
(Actuaries & Consultants)
3 October 2003*

Review Body on Senior Salaries

Report on the comparison of the pension schemes of the Senior Civil Service, Judiciary and Senior Military

To the Review Body on Senior Salaries

At your request, we have carried out a comparison of the pension schemes of the Senior Civil Service, Judiciary and Senior Military and have compared the Judicial Pension Scheme with certain private sector comparators. We now have pleasure in submitting our report which we trust will provide the required guidance on the relative values of the pension arrangements of the three groups.

Our report contains the following Sections and Appendices.

Section	Page
1 Background	1
2 Outline summary of the benefits provided by the pension schemes of the Senior Civil Service, Judiciary and Senior Military	2
3 Methodology and assumptions for the calculation of relative values	5
4 Relative values of the pension schemes of the Senior Civil Service, Judiciary and Senior Military	9
5 Relative values of the Judicial Pension Scheme and private sector comparators	15
6 Impact of forthcoming legislation	17
7 Conclusions	20
<hr/> Appendix	
A Comparison of valuation methodologies	22
B Valuation of pension benefits	24
C Financial assumptions	26
D Demographic assumptions	28
E A summary of the key features of the benefits provided by the private sector comparator schemes	30
F Tax simplification	31
G Membership data and statistics	35
H Detailed summary of the benefits provided by the pension schemes of the Senior Civil Service, Judiciary and Senior Military	38

Executive Summary

This report shows the results of a project to compare the pension schemes of the Senior Civil Service, Judiciary and Senior Military. This project forms part of the exercise which the Review Body on Senior Salaries (SSRB) is currently undertaking to examine the principle of broad linkage between the three remit groups.

Section 1 sets out the background and terms of reference for this project.

Section 2 describes the pension arrangements to which members of the three remit groups are entitled to belong. The arrangements covered in our comparisons are all defined benefit arrangements with differing accrual rates, retirement ages and member contributions rates. A more detailed summary is given in Appendix H.

Section 3 discusses the methodology and assumptions adopted for the calculation of the relative values. The method adopted (known as the projected unit method) calculates the cost of the next year's accrual (net of member contributions) allowing for projected pay increases to retirement or earlier exit. This methodology is, we believe, the most appropriate for assessing the relative values based on the current profiles of the groups as it meets the SSRB's requirements to:

- Focus on the current accrual of benefits. For individuals of the same age and gender any differences in relative values should arise as a result of differences in the benefit structure of the relevant pension scheme only and not as a result of differences in individuals' past history.
- Concentrate on the current profiles of the remit groups.
- Consider benefits at a group rather than individual level.

The method adopted implicitly assumes that benefits in respect of past service, including the effect of future pay increases on such benefits, have already been provided for in full. The advantages and disadvantages of alternative methodologies are discussed in Appendix A and more detailed discussions of the valuation process and financial and demographic assumptions are set out in Appendices B, C and D. In Section 3, we also discuss how we have dealt with the Earnings Cap which applies to post 31 May 1989 entrants to all tax-approved pension schemes.

Section 4 sets out the results of the calculations of the relative values of the pension schemes of the three groups. The results are first shown in graphical form (Chart 1) illustrating the values expressed as a percentage of pensionable pay by age of member. We also show (in Table 4) the average values at each of the comparator points based on the current membership profiles. It is noted that some 10% of the Senior Military (71% at four star level as can be seen in Table 5) have exceeded the maximum pensionable service (34 years) and therefore ceased to accrue benefits, giving a nil value of benefits for these members. When those members with nil accrual are excluded the results (Table 6) show that the values of the pension schemes of Senior Civil Service and Senior Military are broadly similar but the values of the pension schemes of the Judiciary are significantly higher – broadly 10% of pensionable pay more valuable. However, it

should be noted that the Judicial benefits are of even greater relative value when compared with the benefits of long serving members of the Senior Military which have a nil value under the method adopted. As illustrated in this section, the overall result is not significantly affected by the assumptions made.

Section 5 compares the value of the Judicial pension benefits with some sample private sector comparators. This section concludes that the Judicial pension benefits compare favourably with the best pension benefits available in the private sector but notes that there are other elements of remuneration commonly provided in the private sector (such as share options and bonuses) not available to the Judiciary which could be taken into account in any full comparison.

Section 6 comments on forthcoming legislative changes and in particular, the introduction of the lifetime limit of £1.4 million from April 2005. This effectively imposes a 60% tax charge on benefits above the limit and is likely to have a significant impact on future pension design at least for executives in the private sector. We also refer to the deferral of Normal Retirement Age in the Senior Civil Service pension arrangements, the introduction of a new Armed Forces Pension Scheme and trends in private sector provision.

1 Background

- 1.1 The Review Body on Senior Salaries (SSRB) makes recommendations to the Government on the remuneration of Senior Civil Servants, holders of judicial office and senior officers of the Armed Forces. The remit of the SSRB requires it to have regard to “the need to maintain broad linkage between the remuneration of the three main remit groups while allowing sufficient flexibility to take account of the circumstances of each group”.
- 1.2 The SSRB is currently undertaking a project to examine the principle of broad linkage as it relates to the Judiciary. As part of this review, the SSRB wishes to consider the definition of remuneration to which linkage should apply. Remuneration includes both immediate forms (e.g pay, bonus) and deferred forms (e.g pension). The three groups have different pension arrangements. The purpose of this report is to provide the SSRB with sufficient information to enable them to understand the relative values of the pension schemes.
- 1.3 Our remit is to
 - Provide a description of the essential features of the different pension schemes in which the remit groups participate.
 - Calculate the relative value of each scheme including a discussion of the methodology and assumptions.
 - Compare the Judiciary pension schemes with equivalents in the private sector.
 - Discuss the issues which may affect the relative values of the schemes in the future including possible legislative changes and trends in pension scheme design.
- 1.4 This report covers the points described above and sets out the results of our analysis of the relative values of the pension schemes following discussions with the SSRB, the Office of Manpower Economics and the Government Actuary’s Department.
- 1.5 This report is not a formal actuarial report on the funding of a pension scheme and therefore does not have to comply with the actuarial Guidance Note GN9: Retirement Benefit Schemes – Actuarial Reports.

2

Outline summary of the benefits provided by the pension schemes of Senior Civil Service, Judiciary and Senior Military

2.1 The pension schemes to which members of the Senior Civil Service, Judiciary and Senior Military belong are described below:

Senior Civil Service

- The Principal Civil Service Pension Scheme (Classic) – this was the pension scheme available to all members of the Civil Service, including the Senior Civil Service, prior to 1 October 2002.
- The Principal Civil Service Pension Scheme (Premium) – this pension scheme was introduced in October 2002. Existing members of the Classic Scheme could elect to join the Premium Scheme either for future (post 1 October 2002) service only or for both past and future service.
- The Principal Civil Service Pension Scheme (Partnership) – this pension scheme was introduced with effect from 1 October 2002 and is available to post 1 October 2002 appointees only. We understand that very few (if any) members of the current Senior Civil Service belong to this scheme and therefore have not covered it in our calculation of relative values.
- We do not have information relating to how many members of the Senior Civil Service opted for the Premium Scheme in October 2002. We understand that overall around 90% of the Civil Service members remained in the Classic Scheme and 10% opted for the Premium Scheme and we have assumed in our calculations that this split is appropriate for the Senior Civil Service. As the benefits of the schemes have similar values, the comparison is not especially sensitive to this assumption.

Judiciary

- The Judicial Pension Scheme (Judicial Pensions and Retirement Act 1993) – this pension scheme is available to judges appointed on or after 31 March 1995 or those pre-1995 appointees who opted to join it at that time.
- The Judicial Pension Scheme (Judges of the Supreme Court – pre 31 March 1995 appointees) – this is the pension arrangement available to High Court Judges (and above) who were appointed prior to 31 March 1995. It is assumed that all High Court Judges appointed before 1995 (a third of current High Court Judges) continued in this arrangement.
- The Judicial Pension Scheme (Circuit Judges – pre 31 March 1995 appointees) – this is the pension arrangement available to Circuit Judges who were appointed prior to 31 March 1995. It is assumed that all current Circuit Judges appointed before 1995 (a third of current Circuit Judges) continued in this arrangement.
- The Judicial Pension Scheme (District Judges – pre 31 March 1995 appointees) – this is the pension arrangement available to District Judges who were appointed

prior to 31 March 1995. It is assumed that all members of this Scheme opted to join the 1993 Act Scheme (as the benefits in the latter are generally more valuable).

Senior Military

- The Armed Forces Pension Scheme – this covers all members of the Armed Forces, including the Senior Military.

2.2 The key features of the above pension arrangements are summarised in Table 1 below. A detailed description of the benefits provided in each arrangement is set out in Appendix H to this report.

Table 1

	Member contribution rate	Normal retirement age	Earliest age at which unreduced immediate pension is available	Accrual rate pension	Accrual rate lump sum
AFPS	0%	55	37 (or after 16 years' service)	1/90 ⁽¹⁾	3/90 ⁽¹⁾
PCSPS (Classic)	1.5%	60	60	1/80	3/80
PCSPS (Premium)	3.5%	60	60	1/60	option to commute ⁽²⁾
JPS (1993 Act)	3%	70	65 (or after 5 years' service)	1/40 ⁽³⁾	2.25/40
JPS (Supreme Court)	4% ⁽⁴⁾	70	65 (or after 15 years' service)	1/40 ⁽⁵⁾	2/40 ⁽⁴⁾
JPS (Circuit Judges)	4% ⁽⁴⁾	72	65 (or after 15 years' service)	1/40 ⁽⁶⁾	2/40 ⁽⁴⁾
JPS (District Judges)	3% ⁽⁴⁾	72	65 (or after 20 years' service)	1/80 ⁽⁷⁾	2/80 ⁽⁴⁾

where

AFPS	=	Armed Forces Pension Scheme
PCSPS (Classic)	=	Principal Civil Service Pension Scheme (Classic)
PCSPS (Premium)	=	Principal Civil Service Pension Scheme (Premium)
JPS (1993 Act)	=	Judicial Pension Scheme (Judicial Pensions and Retirement Act (1993))
JPS (Supreme Court)	=	Judicial Pension Scheme (Supreme Court – pre 1995 appointees)
JPS (Circuit Judges)	=	Judicial Pension Scheme (Circuit Judges – pre 1995 appointees)
JPS (District Judges)	=	Judicial Pension Scheme (District Judges – pre 1995 appointees)

Notes

- 1 An immediate pension of 28.5% of final pensionable pay is available after 16 years' service, accruing uniformly to 48.5% of final pensionable pay after 34 years' service. This is equivalent to an accrual rate of 1/90 of final pensionable pay after 16 years' service. Members of the Senior Military will almost certainly have completed 16 years' service.
- 2 Members can give up pension to provide a lump sum of up to 2.25 times pension at a rate of £12 of lump sum for each £1 pa of pension given up.
- 3 Maximum of 50% of final pensionable pay after 20 years' service
- 4 Members may choose to contribute or forego some lump sum benefits
- 5

Service	Pension
2-6 years	1/4 of final pensionable salary
6-15 years	1/4 plus 1/40 for each year of service exceeding 5
15 plus years	1/2 of final pensionable salary
- 6

Service	Pension
2-5 years	6/40 of final pensionable salary
5-6 years	10/40 of final pensionable salary
6-15 years	10/40 plus 1/40 for each year of service exceeding 5
15 plus years	1/2 of final pensionable salary
- 7

Service	Pension
2-5 years	6/80 of final pensionable salary
5-6 years	15/80 of final pensionable salary
6-11 years	15/80 plus 1/80 for each year of service exceeding 5
11-20 years	20/80 plus 2/80 for each year of service exceeding 10
20 plus years	1/2 of final pensionable salary

It can be seen that the retirement benefits provided the schemes differ significantly. Other areas of difference such as the benefits provided in the event of ill-health retirement or death-in-service are described in Appendix H.

3 Methodology and assumptions for the calculation of relative values

Methodology

- 3.1 We understand that the SSRB’s primary aim is to compare the relative levels of the benefits provided to members of the Senior Civil Service, Judiciary and Senior Military, based on the current profiles of the three groups. We comment later in this report on possible future changes and on the implications of emerging trends in pension provision in the public and private sectors.
- 3.2 There are various different approaches that can be used to determine the relative values of pension arrangements. In Appendix A to this report we describe the three main approaches giving brief descriptions of the key features together with the advantages and disadvantages of using each of these methodologies for this exercise.
- 3.3 Our understanding from our discussions with the SSRB is that:
- The SSRB’s focus is on the current accrual of benefits. For individuals of the same age and gender any differences in relative values should arise as a result of differences in the benefit structure (including assumed retirement age) of the relevant pension scheme only and not as a result of differences in individuals’ past history.
 - The SSRB wishes to concentrate on the current profiles of the remit groups as it is looking at current relative remuneration levels.
 - The SSRB is interested in relative values at a group rather than individual level as pay awards are set on band rather than individual level awards for the remit groups.

We believe that the method which best fits these criteria is the “projected unit method”, calculating an average value for each group considered. This method:

- Looks at benefits accruing over the next year of service.
 - Projects pay to retirement (or earlier exit).
 - Does not look at past service (the cost of which, including allowance for future pay increases, is implicitly assumed to have already been provided for in full).
 - Looks at current membership profiles.
- 3.4 The projected unit method is the approach typically adopted for funding pension schemes and for assessing pension costs for accounting purposes. Under this method, the value of the benefits arising over the next year of service, allowing for future increases in pay up to the expected date of retirement or earlier exit, is calculated as a percentage of pay over the next year of service. The value of various risk benefits (that is benefits arising on death-in-service or ill-health retirement that are not linked to service) is added to the value of the accruing benefits. Where employees contribute to

the pension scheme the employee contribution is deducted from the relative value calculated.

Earnings Cap

- 3.5 Our valuation takes account not only of the approved pension arrangements but also of any compensation for the effect of the cap on pensionable pay introduced for employees joining pension schemes on or after 1 June 1989 – the Earnings Cap (currently £99,000). For Judges, additional benefits are provided in the form of a “top-up” pension scheme which provides the same benefits as the approved scheme but on pay over the Earnings Cap. The Earnings Cap is not an issue for the Senior Military where we understand all current members are pre-1989 recruits.
- 3.6 We understand that, for the Senior Civil Service, individual ad hoc arrangements are in place for a small number of post-31 May 1989 recruits affected by the Earnings Cap. These include pay supplements, enhanced benefits within the approved pension scheme and “top-up” unapproved arrangements. In order to make some allowance for the impact of the Earnings Cap we have assumed (based on data available) that 20% of current members of the Senior Civil Service are direct entrants who joined after 31 May 1989. Of those 20%, we have assumed that 50% have some form of full compensation for the Earnings Cap and therefore that, in total, 10% of current members are affected by the Earnings Cap. For such members we have restricted future pensionable pay increases to the rate of price inflation (the assumed rate of increase of the Earnings Cap).
- 3.7 When comparing private sector pension schemes with the Judicial Pension Scheme, we have assumed that there will be full compensation for the Earnings Cap in the comparator schemes. We note, however, that there will not be full compensation in all private sector comparators and to this extent the value of the private sector comparators have been overestimated. We further note that the Earnings Cap will no longer apply once the new Inland Revenue regime comes into force in April 2005. This issue is discussed later in this report.

Assumptions

- 3.8 The value of a pension benefit represents the amount of money that it is estimated has to be invested now in order to provide a certain level of benefit at some point in the future. When placing a value on a pension benefit therefore it is necessary to consider not just the level of that benefit but also when, and for how long, it is expected to be paid. This involves making assumptions about the timing of the payment of the benefits, the amount of each payment of that benefit and the rate of investment return. The basic valuation process is illustrated by the examples set out in Appendix B.
- 3.9 The relative values calculated are dependent on the underlying assumptions. Assumptions need to be made in respect of:

- Financial factors
- Demographic factors

3.10 The main financial assumptions concern the future rates of:

- Price inflation
- Investment returns
- Salary increases (general and promotional)
- Pension increases
- Deferred pension increases

3.11 Demographic assumptions are needed in respect of:

- Ages and rates of exits from scheme arising from withdrawal, death, and ill health, early and normal retirements
- Post exit life expectancies
- Proportions married

3.12 In our opinion, in order to provide relative values which are reasonably stable over time, the value placed on benefits needs to be assessed by reference to long-term financial assumptions. We have therefore used assumptions which, whilst framed in the context of recent market conditions, are not directly market-related.

3.13 The financial assumptions adopted are described in Appendix C and are summarised in Table 2 below both in nominal terms and real terms (relative to price inflation):

Table 2

	Nominal % pa	Real % pa
Price inflation	2.5	-
Pay increases (including promotional allowance)	4.5	2.0
Investment returns	6.0	3.5

3.14 In our analysis we have illustrated the sensitivity of the calculations to the financial assumptions by showing the impact of a 0.5% pa change in the rate of pay increase and investment return.

3.15 The demographic assumptions adopted are discussed in Appendix D and are summarised in Table 3 below:

Table 3

	Senior Civil Service	Judiciary	Senior Military
Male/female ratio	75:25	75:25	100:0
Assumed age of retirement	60	68	55
Rate of withdrawal	2% pa	0% pa	0% pa
Rate of ill health retirement	0.25% pa	0.25% pa	0.25% pa
Average expected years in retirement	25 years	18 years	30 years
Proportion married	80% of males, 70% of females		
Age difference (husband-wives)	3 years		

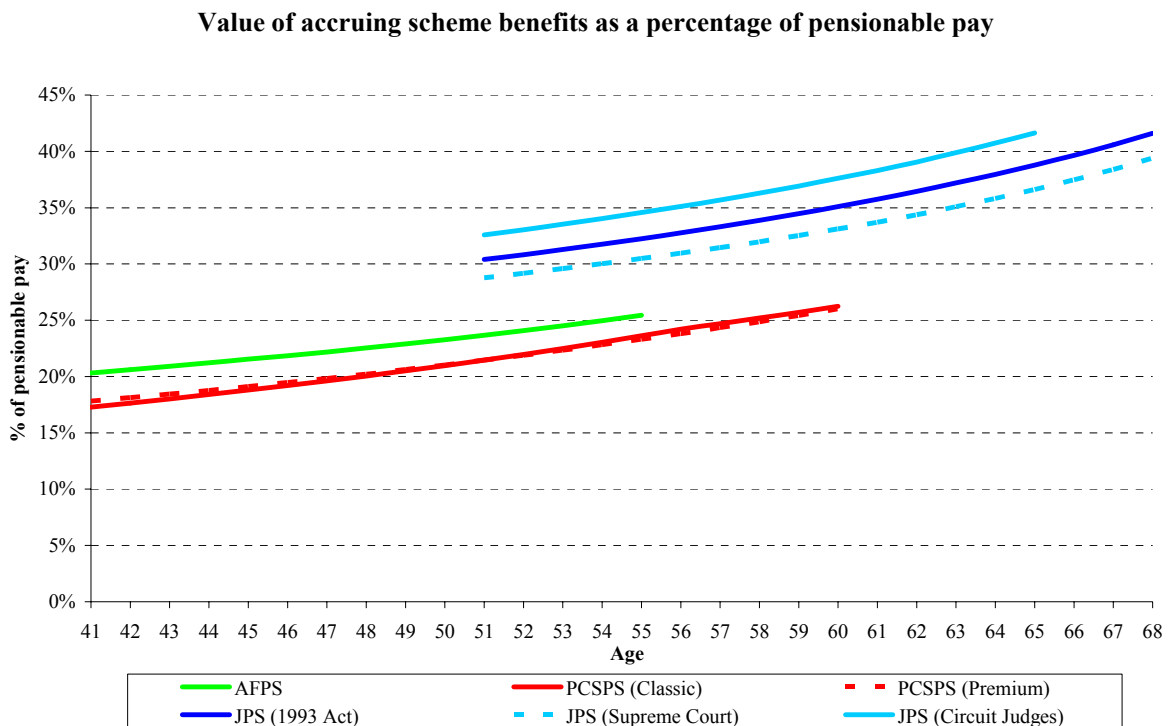
3.16 In our analysis we have illustrated the sensitivity of the calculations to the assumed age of retirement as this assumption has the greatest impact on the relative values.

4

Relative values of the pension schemes of the Senior Civil Service, Judiciary and Senior Military

4.1 The graph below illustrates the relative values of the pension schemes described in Section 2 and Appendix H based on the methodology and assumptions described in Section 3. Chart 1 shows the value of the benefits (net of member contributions) expressed as a percentage of pensionable pay for members of different ages. Accrual of benefits in the Armed Forces and Senior Civil Service is assumed to cease at ages 55 and 60 respectively and therefore there is a nil value shown at higher ages for these groups.

Chart 1



4.2 It can be seen that the Judicial pension arrangements have values significantly higher than the values of the Senior Military and Senior Civil Service pension arrangements which have broadly similar values. The main reason that the Judicial arrangements are more valuable is the higher accrual rate which more than offsets the later retirement age.

4.3 The values of the two civil service pension arrangements are very similar and the values of the three Judicial pension arrangements are broadly similar.

4.4 It can be seen that values of pension benefits vary by age, increasing with age up to the Normal Retirement Age of the relevant scheme and then falling to zero once the

maximum benefits have been accrued. Based on an entry age of 21, 10% of the total membership of the Senior Military and over 70% at the four star officer level have accrued maximum benefits and therefore have zero current value (although arguably some members will have entered the Armed Forces after age 21 and therefore be able to continue to accrue benefits beyond age 55).

4.5 We reviewed the values at three of the comparator points which we understand the SSRB has historically used to assess relative pay levels. We consider that this comparison is not appropriate at the highest comparator point (Chief of Defence Staff, Lord Chief Justice, Cabinet Secretary) as there is only one individual in each group at these points and the results would change significantly if the individual at that level were succeeded by an individual of a different age, as is likely. In carrying out this comparison, we initially took a weighted average of the values at each point based on the age profile at each comparator point. The results of this initial analysis are shown in the Table 4 below.

Table 4

Comparator Point	Senior Civil Service % of pensionable pay	Judiciary % of pensionable pay	Senior Military % of pensionable pay
B	23%	34%	7%
C	22%	31%	18%
D	22%	32%	23%

Key

- A:** Chief of Defence Staff, Cabinet Secretary, Lord Chief Justice (excluded)
- B:** Four star officers, Permanent Secretaries, High Court Judges
- C:** Three star officers, Grade 2 Civil Servants, Circuit Judges
- D:** Two star officers, Grade 3 Civil Servants, District Judges

4.6 It can be seen that the values of pension benefits in the Senior Military are low compared with the other groups. This is because in carrying out this comparison we have assumed nil accrual for members over age 55 in the Senior Military, 60 in the Senior Civil Service, 68 in the Judicial Pension Scheme (1993 Act) and the pre-31 March 1995 Supreme Court Judges' scheme, and 65 in the pre-31 March 1995 Circuit Judges' scheme. This affects around 10% of the Senior Military overall (significantly more at the highest ranks as can be seen in paragraph 4.7 below). This is also the reason why the pension benefits for Circuit Judges are, when averaged over the comparator group, lower in value than the pension benefits for High Court and District Judges.

- 4.7 Table 5 below shows the following proportions of individuals at each of the respective comparator points are assumed to have reached the maximum pensionable service within their scheme (where applicable):

Table 5

Comparator Point	Senior Civil Service	Judiciary	Senior Military
B	3%	0%	71%
C	4%	11%	29%
D	1%	0%	8%

The assumptions are arguably slightly on the high side. They are based on assumed entry ages of 21 in the Civil Service and Armed Forces and 50 in the Judiciary. A small proportion of members will be later entrants.

- 4.8 We then looked at a variation on the above presentation based on those members in each of the groups who are continuing to accrue additional years of pensionable service. This approach excludes those members within each of the comparator groups who have reached their maximum pensionable service. The result of the comparison is shown in Table 6 below. It can be seen from this table that, broadly speaking, the value of the Senior Military benefits is 25% of pay with Senior Civil Service benefits being slightly lower than 25% of pay and the value of the Judiciary benefits are around 32% to 35% of pay.

Table 6

Comparator Point	Senior Civil Service % of pensionable pay	Judiciary % of pensionable pay	Senior Military % of pensionable pay
B	23%	34%	25%
C	22%	35%	25%
D	22%	32%	25%

Sensitivities

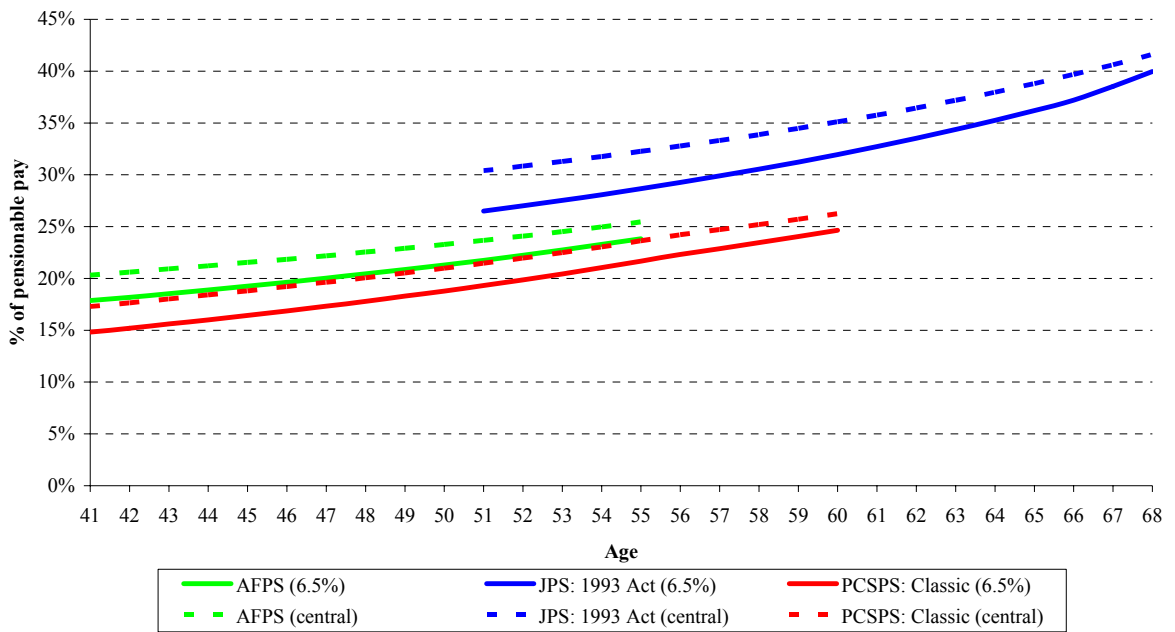
- 4.9 We have investigated the sensitivity of the relative value calculations to the assumptions made. As can be seen from the following graphs, the relative values are not significantly affected by a change in the assumptions as all the values are affected in a similar way. For the purpose of the sensitivity calculations, we have focused on the Classic Scheme for the Senior Civil Service and the Judicial Pension Scheme (1993 Act) for the Judiciary as these cover the majority of members in these groups.

Sensitivity to investment rate of return

4.10 Chart 2 below shows the value of the pension schemes by age expressed as a percentage of pensionable pay based on an investment rate of return (or discount rate) of 6.5% pa (the bold lines) compared with the assumptions of 6.0% pa (the dotted lines). It can be seen that reducing the discount rate reduces the value of all the pension schemes (by around 2% to 4% of pensionable pay) with the greatest effect being at younger ages. The effect is to reduce the differential between the Judiciary pension arrangements and the Senior Civil Service and Senior Military pension by around 1% of pensionable pay.

Chart 2

Comparison of Judicial Pension Scheme (1993 Act), Armed Forces Pension Scheme and PCSPS: Classic - Discount rate 0.5% higher than central assumption

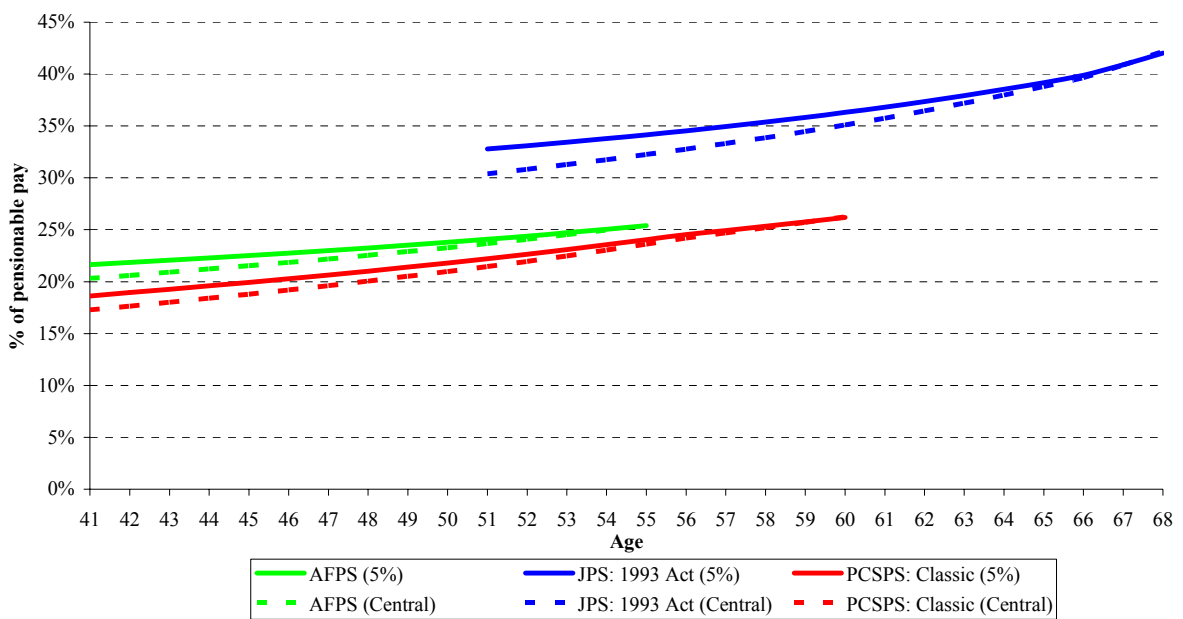


Sensitivity to rate of pay escalation

4.11 Chart 3 below shows the value of the pension schemes by age expressed as a percentage of pensionable pay based on a rate of pay escalation of 5% pa, compared with the values based on the central assumption rate of 4.5% pa pay increase. It can be seen that increasing the pay escalation rate increases the value of all the pension schemes (by up to 2.5% of pensionable pay) with the greatest effect being at younger ages. The effect is to increase the differential between the Judiciary pension arrangements and the Senior Civil Service and Senior Military pension arrangements by around 1% of pensionable pay.

Chart 3

Comparison of Judicial Pension Scheme (1993 Act), Armed Forces Pension Scheme and PCSPS: Classic - Salary increases 0.5% higher than central assumption

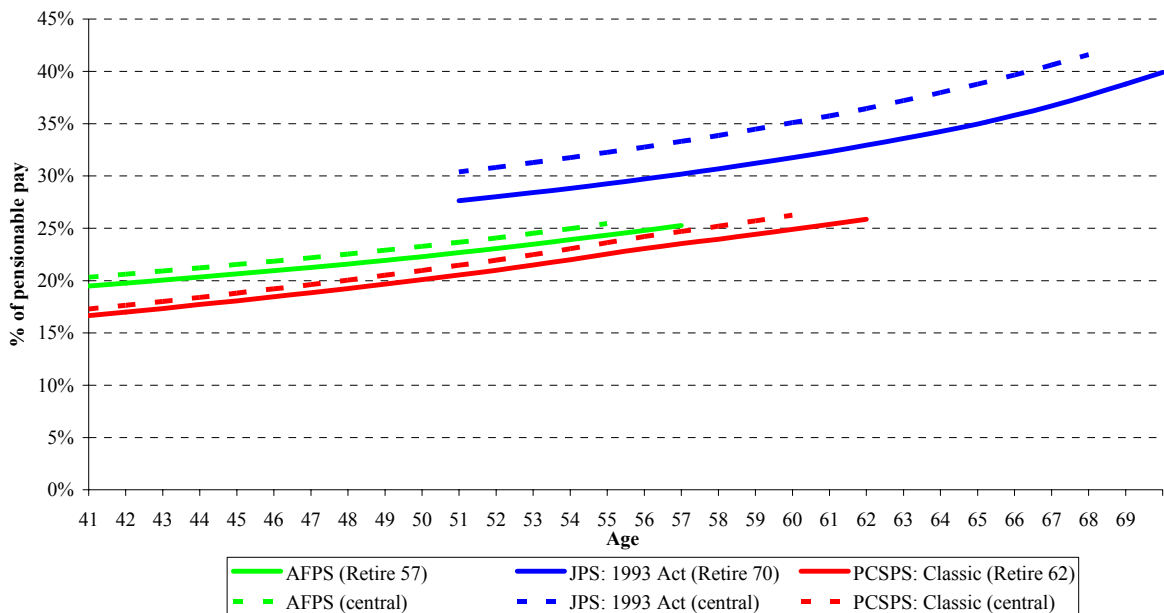


Sensitivity to assumed age at retirement

4.12 Chart 4 below illustrates the impact of increasing the retirement age in all three pension arrangements by 2 years. Making the same assumption change for all three schemes does not have a significant impact on the relative values but this conclusion would be different if this change were made for just one or two of the schemes. The effect is to decrease the value of all the pension schemes (by up to 4% of pensionable pay) and the differential by around 2% of pensionable pay.

Chart 4

Comparison of Judicial Pension Scheme (1993 Act), Armed Forces Pension Scheme and PCSPS: Classic - Retire two years after NRA



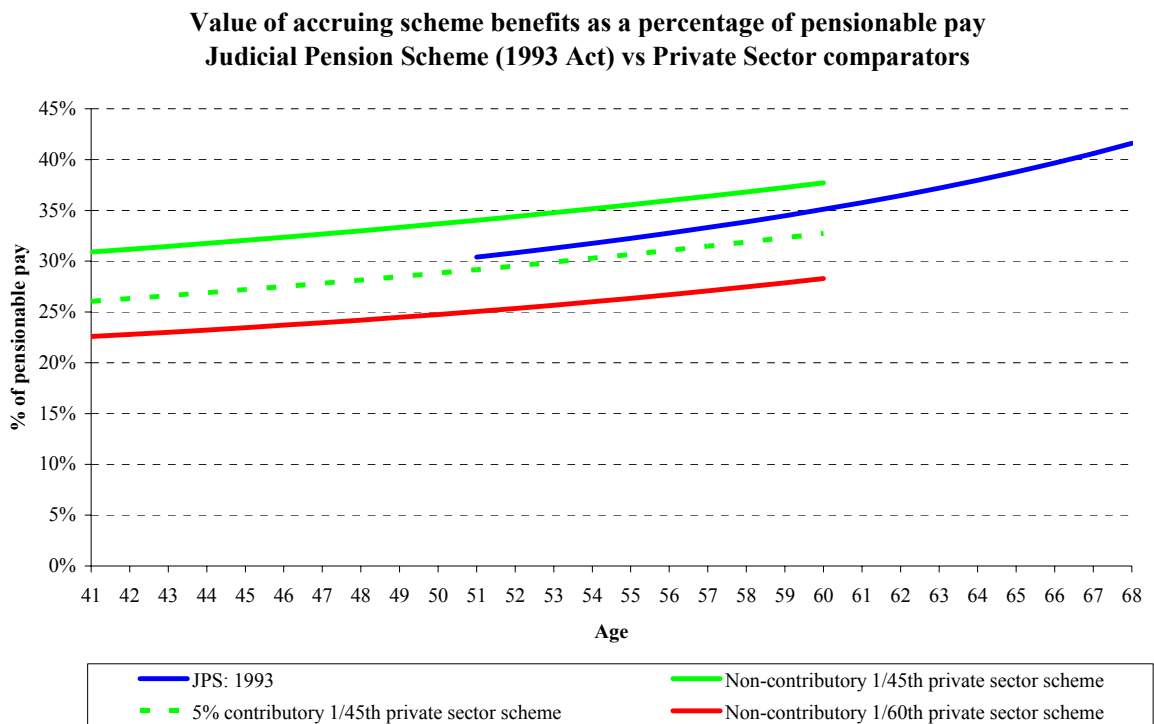
Conclusions

4.13 It can be seen that while the assumptions adopted affect the relative values, they do not change the overall conclusion that the value of the Judiciary benefits is significantly greater than the value of the Senior Civil Service and Senior Military benefits – the difference being of the order of 10% of pensionable pay. The difference is actually much greater when comparing the benefits for current members of the Judiciary and the Senior Military as a significant proportion of the latter are assumed to have reached maximum pensionable service and therefore have a nil benefit value.

5 Relative value of the Judicial Pension Scheme with private sector comparators

- 5.1 We have carried out comparisons for a sample of benefit structures typically found at executive levels in the private sector. As discussed in Section 3 we have assumed that, in each of the private sector comparators, full compensation is provided for the Earnings Cap (and to this extent the value of the benefits available from the private sector comparators is slightly overstated). A brief description of the benefits valued is set out in Appendix E.
- 5.2 When calculating the relative values we have used the same methodology (the projected unit method) and financial assumptions used for the comparison of the Senior Civil Service, Judicial and Senior Military schemes. We have assumed that the private sector comparators will follow the same demographic experience as the Senior Civil Service.
- 5.3 The results of the comparison are set out in Chart 5 below which illustrates the value of the benefits (net of member contributions) expressed as a percentage of pensionable pay for members of different ages. This represents the cost of providing an additional year's benefit to members of the comparator groups at each age. For this comparison we have looked only at the Judicial Pension Scheme (1993 Act) as this is the scheme which applies to almost 80% of current members of the Judiciary.

Chart 5



- 5.4 It can be seen that the value of benefits provided by the Judicial Pension Scheme is broadly equivalent to the value of the benefits typically provided in the private sector under the method and assumptions adopted. In very broad terms, this is because the high accrual rate (40ths) is offset by the 3% member contributions and the later assumed retirement age in the Judicial Pension Scheme.
- 5.5 The sample comparators chosen are those which we are aware are commonly available in the private sector based on
- Our general knowledge and experience of dealing with executive pension arrangements in the private sector.
 - The Watson Wyatt Plan Design Survey (2002 Survey and 2003 Update).
 - The Watson Wyatt Executive Reward Survey.
- 5.6 These are, however, a wide range of possible benefits structures in the private sector including defined contribution arrangements designed to meet the needs of individual organisations. It would be possible to compare the provisions of the Judicial Pension Scheme against those of the pension arrangements of actual companies, although finding private sector roles comparable to the judiciary would be difficult.
- 5.7 In comparing the judiciary to the private sector it would be important to consider all elements of remuneration between the two groups to provide a representative picture. To focus on one element of pay, such as pension benefits, could result in incorrect conclusions being drawn. Executive level employees in the private sector often receive other benefits such as performance bonuses, share options and other reward packages not available in the judiciary.
- 5.8 It is likely that executive benefits in the private sector will change significantly, when the changes to the tax treatment of pension benefits described in Section 6 are implemented. It is possible that the types of remuneration in the private sector could become even more diverse.

6 Impact of forthcoming legislation

Tax simplification

- 6.1 The pension benefits and consequently the relative values are likely to be affected by future legislation arising from the Inland Revenue consultation document “Simplifying the taxation of pensions: increasing choice and flexibility for all” issued in December 2002. The main points which could impact on the benefits for members of the remit groups are
- Removal of the Earnings Cap for post 31 May 1989 entrants.
 - A lifetime limit of £1.4 million, indexed with prices, on the value of the benefit, tested at the point of drawing benefits.
 - Excess above the lifetime limit taxable at 33.3%, in addition to income tax.
 - A lump sum of up to 25% of the value of the benefit, tax-free to 25% of the lifetime limit.
 - Benefits not to be drawn before age 55 (effective from 2010).
 - A marginal rate tax charge for any year in which contributions to a defined contribution scheme and the value of defined benefit accrual, exceed £200,000.
- 6.2 The most major impact is likely to be the introduction of a lifetime limit (currently expected to be £1.4 million) on the aggregate value of benefits arising from all of an individual’s pension schemes. This will affect all the pension schemes (and the private sector comparators) but is likely to have a particularly significant impact on the Judiciary who to date have not had to take retained benefits into account in calculating their maximum pension entitlement under the existing Inland Revenue regime. The effect of the limit is to impose a 60% rate of tax on benefits above it. The rate of tax can be even higher if the annual limit of £200,000 also bites.
- 6.3 The lifetime limit is expected to be linked to price inflation and therefore if, as expected, pay levels increase at a faster rate than price inflation, the lifetime limit could potentially affect everyone in the remit groups in due course.
- 6.4 Further background on the changes proposed to the Inland Revenue regime is given in Appendix F to this report. The Government is currently consulting on these proposals and it is expected that the results of this consultation and further details will be published later this year.

Changes to Civil Service and Armed Forces Pension Schemes

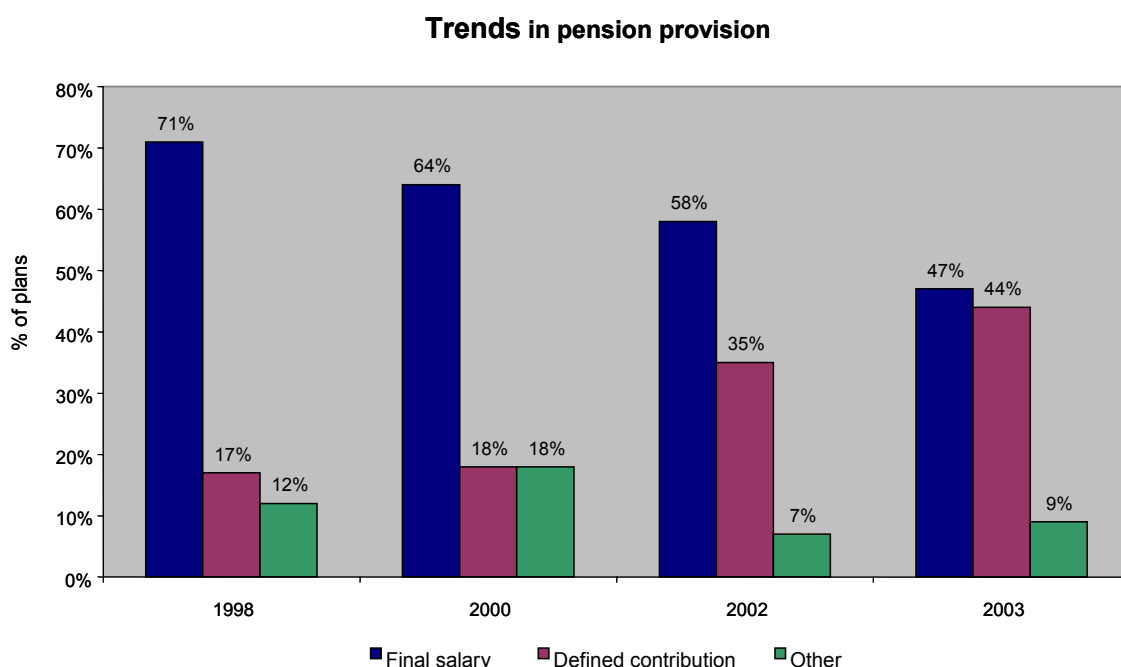
- 6.5 The Government has proposed the deferral of normal retirement age to 65 in the Civil Service pension schemes. This may reduce the value of benefits provided to the Senior Civil Service relative to the other two groups. The timing of any change is not yet known. It is also not yet known whether this will affect existing members of the Senior Civil Service, but it is expected to impact on future members of this group.

- 6.6 A new pension schemes for members of the Armed Forces was announced by the Government on 15 September 2003. This is expected to come into effect in April 2005 with members of the current scheme having the option to opt into it.

Changes to private sector pension arrangements

- 6.7 There has been considerable change to private sector pension arrangements in recent years, most markedly a trend from defined benefit to defined contribution arrangements. Chart 6 below, which comes from our Watson Wyatt Plan Design Survey (2003 update) illustrates this trend.

Chart 6



- 6.8 Where defined benefit pension provision has been retained the trend has been to reduce benefits, increase retirement ages and/or increase member contributions. The trend at executive level has been less clear-cut but the impact of the lifetime limit is expected to give rise to alternative forms of compensation (such as cash supplements, capital accumulations plans or unapproved arrangements) for executives in the private sector. Most organisations are currently reviewing executive pension provision and awaiting the autumn results of the Government consultation before making decisions in this area.

Conclusions

- 6.9 Clearly there are a number of changes which are likely to affect future pension provision in both the public and private sector. Even if there were no changes, the

proportions of members of the Senior Civil Service and Judiciary in the different pension arrangements will change over time, as will the proportions affected by the Earnings Cap (or any scheme specific replacement of this). Furthermore the age profiles of the groups may change over time. We therefore suggest that the SSRB should consider reviewing the relative values of the pension schemes on a regular basis.

7 Conclusions

- 7.1 Based on the methodology and assumptions adopted, the pension benefits for the Judiciary are significantly more valuable than the pension benefits available to the Senior Civil Service and Senior Military – the difference being broadly of the order of 10% of pensionable pay.
- 7.2 This result is not especially sensitive to the assumptions adopted but is dependent on the methodology. In particular, the approach adopted (known as the projected unit approach) looks at current benefits accruing including the effect of future pay increases and implicitly assumes that past benefits have been provided for in full. This means that any differences in relative values for an individual of the same age and gender arise as a result of differences in benefit structure (including retirement age) rather than as a result of any difference in past service history.
- 7.3 The main disadvantage of this approach is that a number of members of the remit groups, in particular a significant proportion of higher ranking members of the Senior Military, have completed the maximum pensionable service and therefore have ceased to accrue pension benefits, giving a nil value under this method. When this is taken into account the difference in value between the Judicial benefits and the Senior Military benefits is significantly greater.
- 7.4 The Judicial Pension Scheme benefits are generally comparable in value with the best executive benefits available in the private sector. There are however other elements of remuneration currently provided in the private sector (such as share options and bonuses) not available to the Judiciary which could be taken into account in any full comparison.
- 7.5 There are a number of forthcoming changes to legislation and to private sector pension provision which are likely to affect relative values in future. In particular, the introduction of the lifetime limit in April 2005 is likely to have a significant impact on all the pension arrangements. Further details of this are expected later this year.

7.6 Pension provision in both the public and private sectors is likely to change over time as will the profiles of the remit groups (including age and scheme membership). We therefore suggest that the SSRB should consider reviewing the relative values of the pension arrangements on a regular basis.

Richard Williams
Watson Wyatt LLP

3 October 2003

London Road
Reigate
Surrey
RH2 9PQ

The services of Watson Wyatt Worldwide in the UK are provided by Watson Wyatt LLP.

I:\Wwp\data\IT Infrastructure Data\Teams\FO\Call Centre\CurrentCallDocs\Jan 05\mrreport01.doc

A Comparison of valuation methodologies

The choice of method has a major impact on the relative values of the pension benefits for the three groups. The three main actuarial valuation methods that could have been used in this assessment are described below, together with their relative strengths and weaknesses. As discussed in Section 3 of this report, we have adopted the projected unit method to calculate the relative values of the pension schemes.

Projected unit method

The *projected unit method* looks at the cost of benefits arising over the next year of service, allowing for future pay increases prior to retirement or earlier exit. This is the approach typically used for funding pension schemes and for assessing pension costs for accounting purposes. It is more suitable for groups than individuals.

Advantages

- This approach measures the additional benefit accrued over the following year and therefore captures the benefit being earned in addition to pay in the year in which it accrues.
- The approach is relevant to the current profiles of the remit groups.
- For individuals of the same age and gender, the cost is affected by the benefit structure (including assumed retirement age) of the scheme only and not by the individual's past history.

Disadvantages

- The results under this approach will change over time if the age/gender profile of the groups changes or the pension schemes to which members belong change.
- It is necessary to value historic schemes and make assumptions about scheme membership.
- For members who have already accrued their full benefit, for example members of the Senior Military with over 34 years' service, no further benefit accrues and the cost is effectively nil under this approach. Although they are continuing to benefit from an increase in past service benefits as a result of pay increases, this approach implicitly assumes that full allowance for future pay increases on past benefits has already been provided for.

Current unit method

The leaving service approach (also known as the *current unit method*) looks at the cost of benefits arising over the next year of service but, rather than allowing for future pay increases, it allows for increases linked to price inflation and in addition takes account of the impact of pay increases above price inflation on benefits accrued in respect of past years of service. This is the approach used for disclosing the value of directors' pension benefits in company accounts and is more appropriate for individual assessments than for groups.

Advantages

- The approach is relevant to the current profiles of the remit groups.
- This captures both the additional accrual of benefits and the effect of pay increases on total pension benefits.

Disadvantages

- Results are dependent on assumptions about individuals' past pension histories, in particular the age at which they join the scheme, as the length of past service is a key factor in the calculated value.
- Costs rise steeply with increasing length of service.

Entry age method

The entry age method looks at the average cost of benefits arising over the whole of a typical career for a new entrant allowing for future pay increases prior to retirement or earlier exit.

Advantages

- The approach captures benefits arising over a full career and is useful for comparing the ultimate value of benefits received by individuals following alternative career paths.
- As the approach looks forward from the start of the career, this approach avoids the complication of how to treat past benefits from the scheme.

Disadvantages

- Results are dependent on the assumed age at entry.
- The approach averages benefit accrual over a full career which can mask features such as the accrual rate being lower in the later years of service in the Armed Forces Pension Scheme.
- The results could be difficult to interpret as the entry ages to the three groups differ significantly.

B Valuation of pension benefits

In order to explain how we value benefits, we illustrate the process below with three examples, beginning with the simplest type of benefit – a lump sum payable from a fixed age.

Example 1

Suppose, we want to calculate the difference in value between a lump sum of £1,000 from pension scheme A and a lump sum of £1,100 from pension Scheme B, both payable today. The difference is clearly £100, with the Scheme A lump sum being the smaller.

Example 2

Suppose, we want to calculate the difference in value between a lump sum of £1,000 from Scheme A payable today and a lump sum of £1,100 from Scheme B payable in five years time. The difference in value is not readily apparent since the two benefits are payable at different times. In order to compare them, we need to place a value on both benefits at the current time. How much is £1,100 in five years' time worth now? To calculate this, we need to make an assumption about the rate of investment return expected to be earned over the next five years on money set aside now.

Suppose we assume a rate of return of 6% pa can be earned. Then in order to achieve a lump sum benefit of £1,100 in 5 years' time, we need to set aside £Z now, such that, in 5 years' time:

$$Z \times 1.06^5 = 1,100$$

$$\text{i.e. } Z = 1,100 \times 1.06^{-5} = 822$$

The value of £1,100 in five years' time is therefore only £822 now. This is known as the **present value** of £1,100 in five years' time.

The difference in value is therefore (£1,000 - £822) ie £178, with the Scheme A lump sum being the more valuable.

Example 3

Suppose we want to calculate the difference in value between a lump sum of £1,000 from Scheme A payable in 20 years' time and a lump sum of £1,100 from Scheme B payable in 25 years' time. Suppose, in addition, that the lump sum amounts increase in line with price inflation between now and the date of payment. Furthermore, suppose that the lump sums are only payable if the individual concerned is still alive at the date of payment.

For this example we need to make three assumptions:

- The expected rate of return : assumed to be 6% pa.
- The expected rate of price inflation : assumed to be 2.5% pa.

- The likelihood that the individual will be alive in 20 or 25 years' time: assumed to be 90% and 85% respectively.

The present value of the lump sum from Scheme A is then

$$£1,000 \times 1.06^{-20} \times 1.025^{20} \times .9 = £460$$

The present value of the lump sum from Scheme B is then

$$£1,100 \times 1.06^{-25} \times 1.025^{25} \times .85 = £404$$

The difference in value is therefore £56 with the Scheme A lump sum being more valuable.

Pension Benefits

A pension benefit is simply a series of lump sum benefits and to value it we calculate the present value of each lump sum payable, making allowance for increases, the probability of it being paid and the rate of investment return. The sum of the present values of the lump sums represents the value of the pension.

C Financial assumptions

Price inflation

We have based our assumptions around a price inflation assumption of 2.5% pa, which is the Government's long-term inflation target. Between January 2000 and July 2003 the Retail Prices Index has increased at an average rate of 2.4% pa, although the increase over individual 12 month periods has varied between 1.0% and 3.2%. Deferred pension increases and pension increases are assumed to be fully in line with price inflation, reflecting the terms and conditions of the respective public sector schemes. Most private sector schemes provide increases in line with price inflation capped at 5% pa (Limited Price Indexation). Given an assumed rate of price inflation of 2.5% pa, for private sector comparators deferred pension increases and pension increases are assumed to be in line with price inflation.

Investment return

The investment return assumption is used to discount the expected future benefit payments. We have adopted a long-term expected rate of return of 3.5% pa in excess of price inflation, leading to a nominal rate of 6% pa. This is consistent with the investment return assumption of 3.5% pa in excess of price inflation which is used by the Government for public sector accounting. It is also consistent with the average return currently expected on a broad range of investment classes. Currently long-term expected rates of return might be in the ranges shown below.

Government bonds	4.5% pa
Corporate bonds	5.5% pa
Equities	5.5% - 8.5% pa

Pay escalation

Historically UK earnings, as measured by the National Average Earnings index, have tended to increase by 1.5% to 2% pa in excess of price inflation over long periods, although in the recent past increases have been at the lower end of this range. We have therefore used a rate of 1.5% pa in excess of price inflation to allow for general pay increases in the UK economy. This rate has been increased to allow for expected promotional increases as individuals progress through the Senior Civil Service and Senior Military pay bands and are promoted into higher bands. Allowing for these factors and after discussion with the SSRB we have adopted a rate of pay escalation of 4.5% pa, or 2.0% pa above the assumed rate of price inflation. Such pay progression does not directly apply to the Judiciary, although Judges have historically received additional "catch-up" increases as a result of periodical market reviews. We have therefore adopted the same rate of pay progression for Judges as for the Senior Civil Service and the Senior Military.

The proposed financial assumptions are summarised in Table 2 which is reproduced below:

Table 2

	Nominal	Real
	% pa	% pa
Price inflation	2.5	-
Pay increases (including promotional allowance)	4.5	2.0
Investment returns	6.0	3.5

In our analysis we have illustrated the sensitivity of the calculations to the financial assumptions by showing the impact of a 0.5% pa change in the rate of pay increase and of investment return.

D Demographic assumptions

Post-retirement mortality

For rates of mortality we have adopted recent mortality tables and allow for projected mortality improvements. In particular we have used the PMA92/PFA92 tables projected to the year 2020 (to allow for future improvements) and rated down by 1 year (to allow for the expectation that these groups have a greater life expectancy than the general population). This gives an assumed expected age at death of 85 for members of the Senior Civil Service and Senior Military and 86 for members of the Judiciary. (The later age for the Judiciary reflects the later age of retirement).

Gender mix

We have made some broad allowance for the gender mix in each of the three groups when setting the mortality assumptions by making an assumption that 75% of members of the Senior Civil Service and Judges are male and 100% of members of the Senior Military are male, based on the statistics available.

Retirement and withdrawal assumptions

We have analysed recent withdrawal and early retirement data in order to set appropriate assumptions for the ages of exit from the schemes. When setting these assumptions we have looked at the actual ages that members retire and receive benefits albeit noting that retirement does not always occur at the most financially advantageous age. An individual will generally receive the most valuable pension if they retire at the earliest opportunity that he or she can retire on an unreduced pension. In practice this means age 37 for members of the Senior Military and age 65 for members of the Judiciary (although actual retirements are later, particularly in the Senior Military). Where a member remains in service beyond this age, each individual year of pensionable service becomes relatively less valuable, reflecting a shorter expected lifetime in retirement. However, the amount of annual pension a member will receive will increase as the total number of years of service increases (unless the maximum period has been reached). Also pay increases will increase the amount of pension payable in respect of past years' service. This point is particularly relevant in the Senior Military where many of the current members have already completed 34 years' service which is the maximum period of pensionable service. They are therefore no longer accruing any additional years of service.

It seems the most appropriate approach to reflect what actually happens in practice. We have therefore assumed, following discussions with the SSRB and Government Actuary's Department, an average age of retirement of 60 for the Senior Civil Service, 68 for the Judiciary (with the exception of Circuit Judges appointed before 31 March 1995 for whom we have used an age of 65) and 55 for the Senior Military. We have assumed that those current members who have already passed these ages will take immediate retirement.

Based on our analysis we have made allowance for a relatively low rate of withdrawal of 2% pa for the Senior Civil Service. We have assumed a nil withdrawal rate for the Senior Military and

Judiciary on the basis that all voluntary exits are assumed to be retirements. We have allowed for a modest rate of ill-health retirement of 0.25% pa for all three groups.

Family statistics

We also needed to make assumptions about family statistics in order to place a value on the benefit payable to dependants on death. For this purpose we have assumed that 80% of males and 70% of females are married. We have also assumed that husbands are 3 years older than their wives.

The demographic assumptions adopted are summarised below:

Table 7

	Senior Civil Service	Senior Military	Judiciary
Male/female ratio	75:25	100:0	75:25
Assumed age of retirement	60	55	68
Rate of withdrawal	2% pa	0% pa	0% pa
Rate of ill health retirement	0.25% pa	0.25% pa	0.25% pa
Post-retirement mortality		PM/FA92C20-1	
Average expected years in retirement	25 years	30 years	18 years
Proportion married	80% of males, 70% of females		
Age difference (husband-wives)	3 years		

E A summary of the key features of the benefits provided by the private sector comparator schemes

Table 8

	Member contribution rate	Normal retirement age	Assumed age at which members retire	Pension accrual rate	Lump sum accrual rate	Spouse's fraction
JPS (1993 Act)	3%	70	68	1/40	2.25/40	50%
45 th private sector	0%	60	60	1/45	option to commute	66.7%
45 th private sector	5%	60	60	1/45	option to commute	66.7%
60 th private sector	0%	60	60	1/60	option to commute	50%

Full compensation for the Earnings Cap is assumed for the private sector comparators. Members are assumed to give up pension to provide a lump sum of 2.25 times pension at a conversion rate of £12 of lump sum for each £1 pa of pension given up.

F Tax simplification

In December 2002 the Inland Revenue delivered proposals for simplification of its requirements for pension schemes.

The Revenue intends that there should be a single tax regime for all approved funded pensions (and buy-out policies), the main features of which would be

- The facility to contribute to different types of pension arrangement at the same time (full concurrency).
- Contributions fully tax-relievable in the year of payment.
- Personal contributions permitted to the higher of £3,600 and 100% of annual earnings.
- Employer contributions unlimited.
- A marginal rate tax charge for any year in which contributions to a defined contribution scheme, together with the value of any defined benefit accrual, exceed £200,000.
- Investment growth largely tax-free (as at present).
- Tax relief restricted by reference to a lifetime limit (£1.4m, indexed with prices) on the value of the benefit, tested at the point of drawing benefits.
- Excess above the lifetime limit taxable at 33.3%, in addition to income tax.
- A lump sum of up to 25% of the value of the benefit, tax-free to 25% of the lifetime limit (a lifetime tax-free lump sum of £350,000).
- Pension income taxable as earned income (as at present).
- The facility to draw benefits without leaving employment.
- Benefits not normally to be drawn before age 55 (effective from 2010).
- Greater flexibility in the manner in which retirement income may be taken.

The Revenue has since announced its intention that the new regime will be introduced in April 2005. Further details are expected to be announced in the autumn of this year.

The new regime

Under the proposed regime, the existing limits for personal and occupational pensions will be replaced by

- A lifetime limit against which the fund value and the notional value of any defined benefit (DB) provision will be compared. This test will take place when benefits are brought into payment, with any excess provision attracting an additional 33.3% tax charge

- An annual limit that will restrict the amount of tax-relievable annual contribution and annual benefit accrual.

Lifetime limit

Immediately before prospective benefits are brought into payment, their value will be tested against a lifetime limit. The consultation suggests that initially this might be set at £1.4m, an amount broadly equivalent to an indexed pension of 2/3rds of the earnings cap (or around £66,000 pa) for a man of 60, which includes provision for a 50% spouse's pension. The limit will be indexed with price inflation.

For the purpose of testing benefits against the limit, defined contribution benefits will be considered at their market value and defined benefits will be valued by reference to conversion tables published by the Inland Revenue.

To the extent that the value of the benefit is greater than the limit, a tax charge of 33.3% will apply. This "recovery charge", together with income tax on benefits paid from funds above the lifetime limit, is intended to recover the tax reliefs previously granted on 'excessive' benefit provision. Combined with income tax of 40%, this gives a total tax charge of 60% on benefits above the lifetime limit.

After the test has been performed and any recovery charge paid, a lump sum not exceeding 25% of the value of the remaining benefit may be paid. Any lump sum from funds below the lifetime limit will be tax free ie a lifetime tax-free lump sum up to £350,000 (25% of £1.4m). Amounts paid from funds above the lifetime limit (whether income or lump sum) will be taxed as income.

Because the proposed £1.4m threshold is a lifetime limit, the value of approved pension benefits (and buy-out policies) in payment from other sources will need to be taken into account when determining whether the recovery charge will apply. Benefits not yet in payment may be ignored, as a further test will be undertaken when they come into payment.

Under the new regime, benefits from a particular source will be tested once only, at the point of bringing them into payment. Thereafter, the level of pension in payment will normally be of no consequence. However, if the pension is augmented, the augmentation will be tested as a new benefit.

Annual limit

In addition to the lifetime limit, there will be a cap on the annual level of tax-relievable accrual of benefit or contribution. The consultation suggests that the threshold for the tax charge might be set at £200,000 a year (indexed in line with price inflation). Where the annual contribution or value of accrual exceeds this amount, the individual will be liable to tax on the excess as a benefit in kind. However, the employer would continue to be entitled to full tax-relief on any contribution in the year of payment.

A-day and the transition

The Revenue proposes that the new regime should operate from "A-day", which is expected to be April 2005.

Where the value of an individual's fund or pension accrual at A-day is more than £1.4m, the entitlement (indexed in line with price inflation to the point of drawing the benefit) can be protected against the recovery charge. However, this will be conditional on the benefit being within the appropriate pre A-day Revenue limits and it is unlikely that there will be any scope for further tax-privileged pension provision. For the purpose of testing A-day funds, DB accrual will be converted to a notional fund by applying Revenue conversion rates.

A-day protection will take the form of a percentage uplift to the lifetime limit e.g an A-day benefit value of £2.8m will protect benefits from the recovery charge until the value exceeds 200% of the lifetime limit (at the point of drawing benefits). However, as the lifetime limit increases only in line with price inflation, there can be no guarantee that the recovery charge will not apply to benefits accrued before A-day.

As well as pension entitlements, pre A-day tax-free lump sums may be protected. This is potentially more complex than pension protection because it is not only individuals whose A-day benefits are valued at more than £1.4m who could be affected. The new rules will allow schemes to pay a lump sum of 25% of the benefit value, even if that is greater than would have been available under the appropriate pre A-day rules. Schemes that do not wish to rely on the 25% rule may determine the lump sum

- a. precisely, using the pre A-day rules, in accordance with the scheme rules, and based on salary and service to A-day; or
- b. as 3/80 of P60 earnings for each year of service to A-day.

P60 earnings will be taken as those in the tax year preceding A-day and, for anyone not within the pre-1987 tax regime, restricted to the earnings cap in that year.

Where either of these alternatives is used, schemes may pay a lump sum of the greater of the amount determined, indexed between A-day and the date of vesting, and 25% of the total (ie pre and post A-day) fund value.

Pension benefits

There will no longer be any Revenue requirement for occupational schemes to include a normal retirement age, nor for a person to leave service before drawing benefits from such a scheme.

However, the earliest age from which benefits may normally be paid from any approved pension is proposed to increase to 55, from 2010. Benefits may be paid earlier in circumstances of ill health and, in the case of serious ill health, may be commuted for a wholly tax-free lump sum.

Death before drawing benefits

The value of any death benefits payable will be tested against the lifetime limit and the recovery charge applied, where appropriate. Having applied any recovery charge, lump sums will be unlimited and free of any further tax. There will also be no limit on dependants' pensions, which will be taxed as income (as at present).

G Membership data and statistics

Table 9 - Number of members (as at May 2003)

Comparator Point	Senior Civil Service	Judiciary	Senior Military
A	1	1	1
B	31	107	14
C	105	621	21
D	487	431	97

Key

A: Chief of Defence Staff, Cabinet Secretary, Lord Chief Justice

B: Four star officers, Permanent Secretaries, High Court Judges

C: Three star officers, Grade 2 Civil Servants, Circuit Judges

D: Two star officers, Grade 3 Civil Servants, District Judges

Age distributions

Chart 7

Age distribution of the Judiciary, Senior Military and Senior Civil Service

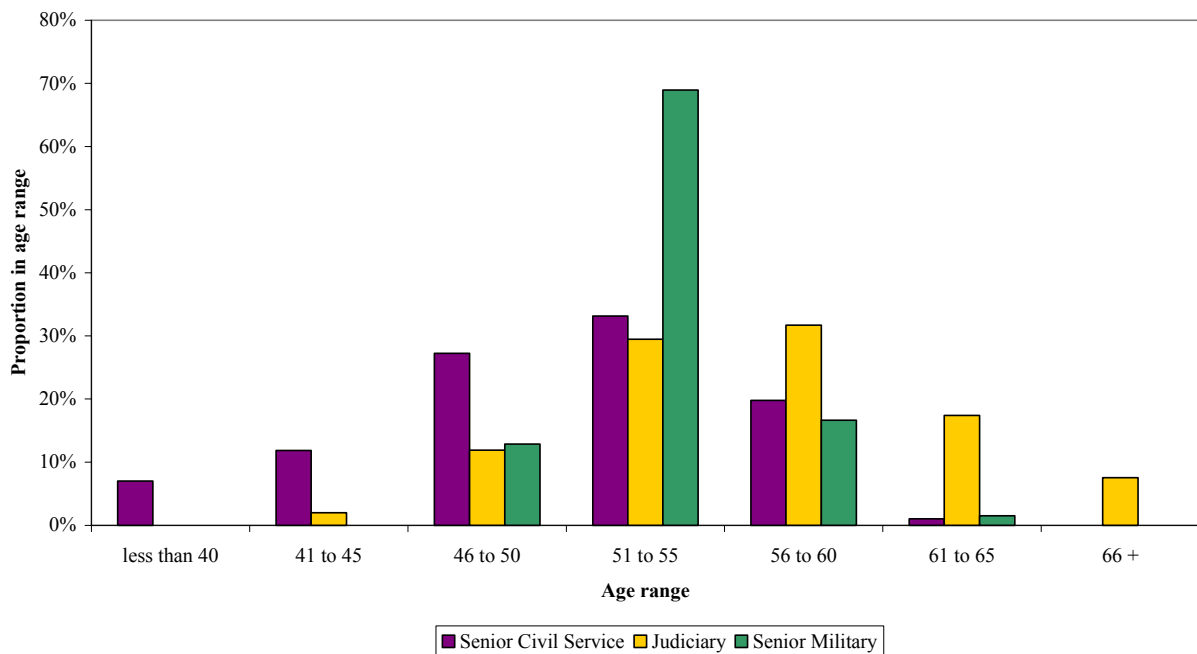


Chart 8

Age distribution of the Senior Civil Service by comparator point

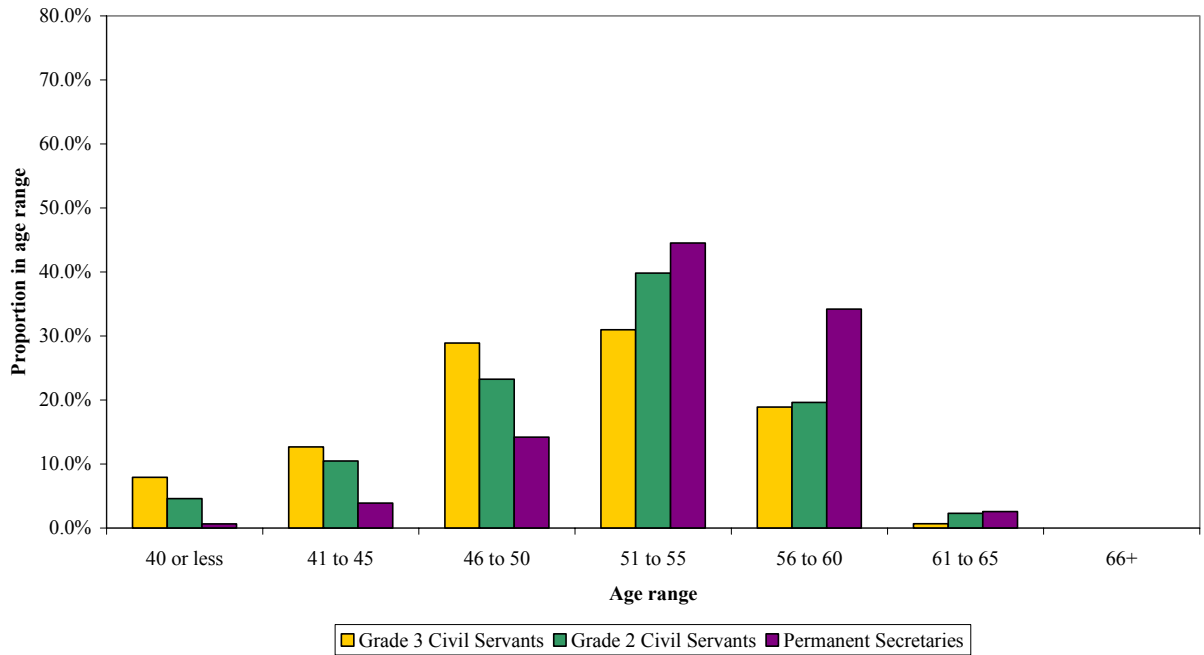


Chart 9

Age distribution of the Judiciary by comparator point

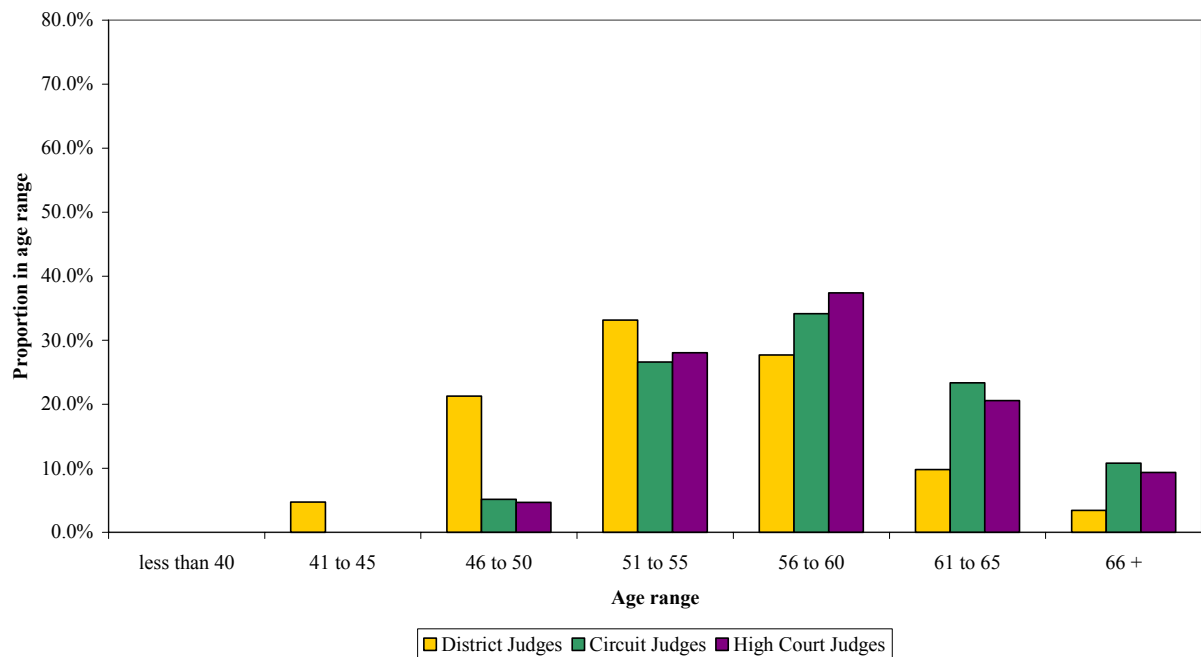
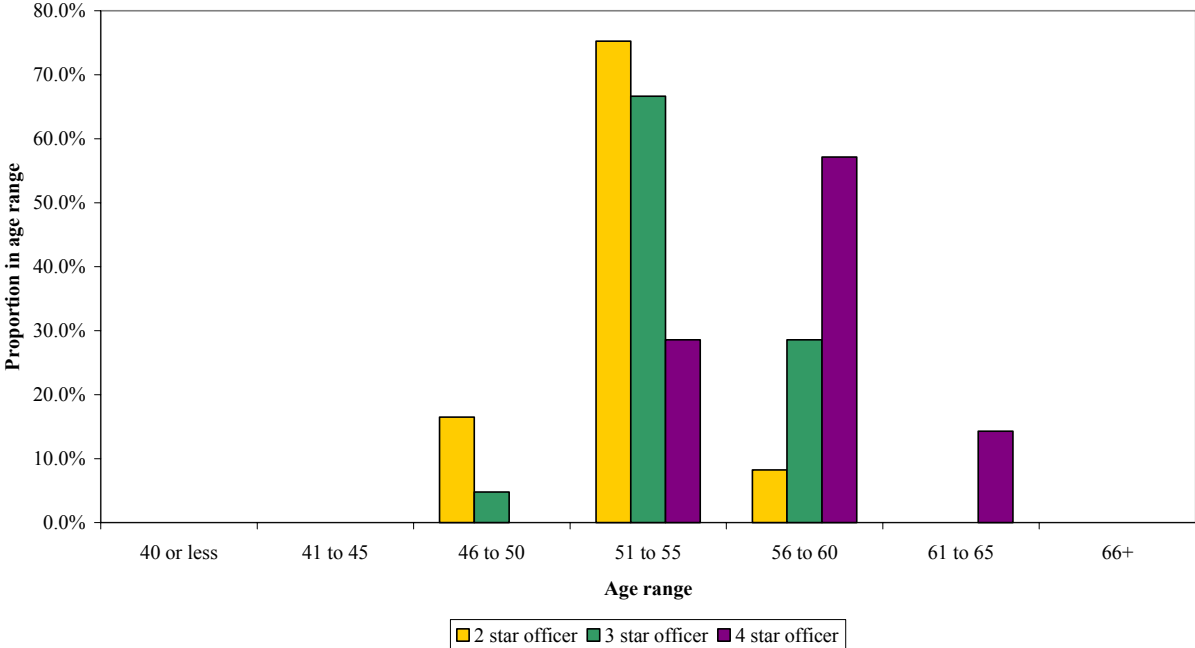


Chart 10

Age distribution of the Senior Military by comparator point



H Detailed summary of the benefits provided by the pension schemes of the Senior Civil Service, Judiciary and Senior Military

This summary compares the benefits provided by the Judicial Pension Scheme (The Judicial Pensions and Retirement Act 1993) with the benefits provided by the Judicial pension schemes available to members of the Judiciary who entered before April 1995 and with the pension schemes available to members of the Senior Civil Service and Armed Forces.

Pages 39 - 43 compare the Judicial Pension Scheme (1993 Act) with the schemes available to pre 1995 appointed District Judges and Circuit Judges.

Page 44 - 49 compare the Judicial Pension Scheme (1993 Act) with the scheme available to pre 1995 appointees to the Supreme Court and to the Principal Civil Service Pension Scheme (Classic) available to pre-1 October 2002 entrants to the Civil Service.

Pages 50 - 55 compare the Judicial Pension Scheme (1993 Act) with the Principal Civil Service Pension Scheme (Premium) and the Principal Civil Service Pension Scheme (Partnership). These are available to post 1 October 2002 entrants to the Civil Service. Members of the Civil Service on 1 October 2002 had the option to switch to the Premium Scheme for future service (Classic Plus) or for past and future service (Premium).

Pages 56 - 60 compare the Judicial Pension Scheme (1993 Act) with the Armed Forces Pension Scheme.

Benefit	Judicial Pension Scheme (1993 Act)	Judicial Pension Scheme : District Judges – Pre 1995 appointees	Judicial Pension Scheme : Circuit Judges – Pre 1995 appointees
Type of Scheme	Final Salary	Final Salary	Final Salary
Member's contributions	3% of pensionable pay until earlier of retirement or completion 20 years' service	Members may choose to contribute 3% of pensionable pay or alternatively forego some lump sum benefits as described below	Members may choose to contribute 4% of pensionable pay or alternatively forego some lump sum benefits as described below
Definitions			
Normal Pension Age	65, subject to completion of 5 years' service Maximum pension age of 70	65, subject to completion of 15 years' service or at the end of the completed year of service in which member attains the age of 72, subject to completion of 2 years' service. Members may receive dispensation from the Lord Chancellor to remain in the Scheme until age 75.	65, subject to completion of 15 years' service or at the end of the completed year of service in which member attains the age of 72, subject to completion of 2 years' service. Members may receive dispensation from the Lord Chancellor to remain in the Scheme until age 75.
Pensionable Salary	Spot salary as notified to the member, but restricted to the earnings cap. A supplementary arrangement exists to compensate members for the effects of the earnings cap.	Annual salary	Annual salary
Final Pensionable Salary	Largest pensionable salary paid over any 12 months over last 3 years	Pensionable salary	Pensionable salary
Pensionable Service	Years and days of service	Years and days of service	Years and days of service
Maximum Pensionable Service	20 years	20 years	15 years
Adult Dependant	Surviving spouse (unless marriage took place after the member ceased to hold judicial office)	Surviving spouse (unless marriage took place after the member ceased to hold judicial office)	Surviving spouse (unless marriage took place after the member ceased to hold judicial office)

Benefit	Judicial Pension Scheme (1993 Act)	Judicial Pension Scheme : District Judges – Pre 1995 appointees	Judicial Pension Scheme : Circuit Judges – Pre 1995 appointees																						
Benefits at Retirement																									
Pension at retirement	If total service exceeds 20 years, then 50% of pensionable pay Otherwise 1/40 * final pensionable pay * aggregate length of service	<table border="0"> <tr> <td>Service</td> <td>Pension</td> </tr> <tr> <td>2-5 years</td> <td>6/80 of rate of last annual salary</td> </tr> <tr> <td>5-6 years</td> <td>15/80 of the rate of last annual salary</td> </tr> <tr> <td>6-11 years</td> <td>15/80 of the rate of last annual salary plus 1/80 for each</td> </tr> <tr> <td>11-20 years</td> <td>1/4 of the rate of last annual salary plus 1/40 for each completed year exceeding 10</td> </tr> <tr> <td>>20 years</td> <td>1/2 of the rate of last annual salary</td> </tr> </table>	Service	Pension	2-5 years	6/80 of rate of last annual salary	5-6 years	15/80 of the rate of last annual salary	6-11 years	15/80 of the rate of last annual salary plus 1/80 for each	11-20 years	1/4 of the rate of last annual salary plus 1/40 for each completed year exceeding 10	>20 years	1/2 of the rate of last annual salary	<table border="0"> <tr> <td>Service</td> <td>Pension</td> </tr> <tr> <td>2-5 years</td> <td>6/40 of rate of last annual salary</td> </tr> <tr> <td>5-6 years</td> <td>1/4 of the rate of last annual salary</td> </tr> <tr> <td>6-15 years</td> <td>1/4 of the rate of last annual salary plus 1/40 for each completed year exceeding 5</td> </tr> <tr> <td>>15 years</td> <td>1/2 of the rate of last annual salary</td> </tr> </table>	Service	Pension	2-5 years	6/40 of rate of last annual salary	5-6 years	1/4 of the rate of last annual salary	6-15 years	1/4 of the rate of last annual salary plus 1/40 for each completed year exceeding 5	>15 years	1/2 of the rate of last annual salary
Service	Pension																								
2-5 years	6/80 of rate of last annual salary																								
5-6 years	15/80 of the rate of last annual salary																								
6-11 years	15/80 of the rate of last annual salary plus 1/80 for each																								
11-20 years	1/4 of the rate of last annual salary plus 1/40 for each completed year exceeding 10																								
>20 years	1/2 of the rate of last annual salary																								
Service	Pension																								
2-5 years	6/40 of rate of last annual salary																								
5-6 years	1/4 of the rate of last annual salary																								
6-15 years	1/4 of the rate of last annual salary plus 1/40 for each completed year exceeding 5																								
>15 years	1/2 of the rate of last annual salary																								
Separate Lump Sum at retirement	2.25 times pension plus refund of contributions if member is unmarried at the time of retirement	2 times pension if the member is married at retirement, the lump sum is reduced by 3/4 of the lump sum. Where contributions have been paid, this reduction is offset by 1/320 of Pensionable Salary for each month contributions have been paid, up to a maximum of 20 years.	2 times pension if the member is married at retirement, the lump sum is reduced by 3/4 of the lump sum. Where contributions have been paid, this reduction is offset by 1/240 of Pensionable Salary for each month contributions have been paid, up to a maximum of 15 years.																						

Benefit	Judicial Pension Scheme (1993 Act)	Judicial Pension Scheme : District Judges – Pre 1995 appointees	Judicial Pension Scheme : Circuit Judges – Pre 1995 appointees
Commutation terms	Not applicable	Not applicable	Not applicable
Early retirement provision	Reduced pension payable from age 60, provided 5 years' service completed.	Members benefits are preserved	Members benefits are preserved
Pension on ill-health retirement	If age is less than 65, an unreduced pension as for normal retirement. If the member is younger than 65 then pensionable service is enhanced by half of potential service to 65	Unreduced pension as for normal retirement	Unreduced pension as for normal retirement
Benefits on Death			
Adult dependant's pension on death after retirement	50% of member's pension in payment at date of death	50% of member's pension in payment at date of death	50% of member's pension in payment at date of death
Adult dependant's pension on death in service	50% of pension the member would have been entitled to if they had retired on ill-health at date of death	50% of pension the member would have been entitled to if they had retired on ill-health at date of death	50% of pension the member would have been entitled to if they had retired on ill-health at date of death
Children's pension on death after retirement or death in service	Payable to a child under age 16 or in full-time education. Where there is a surviving spouse the pension is equal to ½ of spouse's pension if there is one child and is equal to spouse's pension where there is more than one child. Where there is no surviving spouse, the pension is equal to 2/3 of spouse's pension where there is one eligible child and 4/3 of spouse's pension when there is more than one eligible child.	Payable to a child under age 16 or in full-time education. Where there is a surviving spouse the pension is equal to ½ of spouse's pension if there is one child and is equal to spouse's pension where there is more than one child. Where there is no surviving spouse, the pension is equal to 2/3 of spouse's pension where there is one eligible child and 4/3 of spouse's pension when there is more than one eligible child.	Payable to a child under age 16 or in full-time education. Where there is a surviving spouse the pension is equal to ½ of spouse's pension if there is one child and is equal to spouse's pension where there is more than one child. Where there is no surviving spouse, the pension is equal to 2/3 of spouse's pension where there is one eligible child and 4/3 of spouse's pension when there is more than one eligible child.

Benefit	Judicial Pension Scheme (1993 Act)	Judicial Pension Scheme : District Judges – Pre 1995 appointees	Judicial Pension Scheme : Circuit Judges – Pre 1995 appointees
Lump sum on death after retirement	If total of lump sum at retirement and pension paid is less than 5 times the annual rate of pension in force immediately before death, the deficiency is paid as a lump sum	If total of lump sum at retirement and pension paid is less than the lump sum that would have been paid had the member died in service, the deficiency is paid as a lump sum	If total of lump sum at retirement and pension paid is less than the lump sum that would have been paid had the member died in service, the deficiency is paid as a lump sum
Lump sum on death in service	2 times pensionable pay	Amount equal to the last annual salary. If the member is married at the time of retirement, the lump sum is reduced by $\frac{3}{4}$ of the lump sum where contributions have been paid, this reduction is offset by $\frac{1}{320}$ of Pensionable Salary for each month in which contributions have been paid, up to a maximum of 20 years.	Amount equal to the last annual salary. If the member is married at the time of retirement, the lump sum is reduced by $\frac{3}{4}$ of the lump sum where contributions have been paid, this reduction is offset by $\frac{1}{320}$ of Pensionable Salary for each month in which contributions have been paid, up to a maximum of 15 years.
Earliest age at which deferred pension payable without reduction	The age the member could have received an immediate pension if they remained an active member of the Scheme.	The age the member could have received an immediate pension if they remained an active member of the Scheme.	The age the member could have received an immediate pension if they remained an active member of the Scheme.
Benefits on Leaving Service			
Deferred pension on leaving service	Provided 2 years' service completed, pension preserved and accrued proportionately to the benefits the member would have been entitled had he served to normal pension age, based upon pensionable pay at leaving.	Provided 2 years' service completed, pension preserved and accrued proportionately to the benefits the member would have been entitled had he served to normal pension age, based upon pensionable pay at leaving.	Provided 2 years' service completed, pension preserved and accrued proportionately to the benefits the member would have been entitled had he served to normal pension age, based upon pensionable salary at leaving.

Benefit	Judicial Pension Scheme (1993 Act)	Judicial Pension Scheme : District Judges	Judicial Pension Scheme : Circuit Judges
Separate deferred lump sum on leaving service	Provided 2 years' service completed, lump sum preserved and accrued proportionately to the benefits the member would have been entitled had he served to normal pension age, based upon pensionable pay at leaving.	Provided 2 years' service completed, lump sum preserved and accrued proportionately to the benefits the member would have been entitled had he served to normal pension age, based upon pensionable salary at leaving.	Provided 2 years' service completed, lump sum preserved and accrued proportionately to the benefits the member would have been entitled had he served to normal pension age, based upon pensionable salary at leaving
Earliest age at which deferred pension payable without reduction	The age the member could have received an immediate pension if they remained an active member of the Scheme.	The age the member could have received an immediate pension if they remained an active member of the Scheme.	The age the member could have received an immediate pension if they remained an active member of the Scheme.
Adult dependant's pension on death in deferment	50% of member's preserved pension revalued to the date of death	50% of member's preserved pension revalued to the date of death	50% of member's preserved pension revalued to the date of death
Lump sum on death in deferment	Assumed to be 2.25 times preserved pension revalued to the date of death	Assumed to be preserved lump sum revalued to the date of death	Assumed to be preserved lump sum revalued to the date of death
Increases to Pensions			
Increases to pensions in deferment	Increased each April in line with the increase in the Retail Prices Index	Increased each April in line with the increase in the Retail Prices Index	Increased each April in line with the increase in the Retail Prices Index
Increases to pensions in payment	Increased each April in line with the increase in the Retail Prices Index	Increased each April in line with the increase in the Retail Prices Index	Increased each April in line with the increase in the Retail Prices Index

Benefit	Judicial Pension Scheme (1993 Act)	Judicial Pension Scheme: Judges of the Supreme Court – Pre 1995 appointees	Principal Civil Service Pension Scheme (Classic)
Type of Scheme	Final Salary	Final Salary	Final Salary
Member's contributions	3% of pensionable pay until earlier of retirement or completion 20 years' service	Members may choose to contribute 4% of pensionable pay or alternatively forego some lump sum benefits as described below	1.5% of pensionable earnings
Definitions			
Normal Pension Age	65, subject to completion of 5 years' service Maximum pension age of 70	65, subject to completion of 15 years' service Maximum pension age of 70	60 unless specifically stated in individual member's terms and conditions
Pensionable Earnings	Spot salary as notified to the member, but restricted to the earnings cap. A supplementary arrangement exists to compensate members for the effects of the earnings cap.	Annual salary	Basic salary and other specified elements of pay such as shift duty allowance and substitution pay. Overtime payments are non-pensionable, although overtime premium payments are.
Final Pensionable Earnings	Largest pensionable salary paid over any 12 months over last 3 years	Pensionable salary	Largest pensionable salary paid over any 12 months in last three years. Any pensionable bonuses are averaged over the 3 years
Pensionable Service	Years and days of service	Years and days of service	Years and days worked whilst a member of the scheme minus non-reckonable time-off e.g. strike days
Maximum Pensionable Service	20 years	15 years	40 years' reckonable service by age 60 or 45 years' reckonable service by age 65
Adult Dependant	Surviving spouse (unless marriage took place after the member ceased to hold judicial office)	Surviving spouse (unless marriage took place after the member ceased to hold judicial office)	Legally married spouse on death

Benefit	Judicial Pension Scheme (1993 Act)	Judicial Pension Scheme: Judges of the Supreme Court – Pre 1995 appointees	Principal Civil Service Pension Scheme (Classic)								
Benefits at Retirement											
Pension at retirement	If total service exceeds 20 years, then 50% of pensionable pay Otherwise 1/40 * final pensionable pay * aggregate length of service	<table border="0"> <tr> <td>Service</td> <td>Pension</td> </tr> <tr> <td>2-6 years</td> <td>1/4 of the rate of last annual salary</td> </tr> <tr> <td>6-15 years</td> <td>1/4 of the rate of last annual salary plus 1/40 for each completed year exceeding 5</td> </tr> <tr> <td>>15 years</td> <td>1/2 of the rate of last annual salary</td> </tr> </table>	Service	Pension	2-6 years	1/4 of the rate of last annual salary	6-15 years	1/4 of the rate of last annual salary plus 1/40 for each completed year exceeding 5	>15 years	1/2 of the rate of last annual salary	1/80 * Final Pensionable Pay * Pensionable Service
Service	Pension										
2-6 years	1/4 of the rate of last annual salary										
6-15 years	1/4 of the rate of last annual salary plus 1/40 for each completed year exceeding 5										
>15 years	1/2 of the rate of last annual salary										
Separate Lump Sum at retirement	2.25 times pension	2 times pension if the member is married at retirement, the lump sum is reduced by 3/4 of the lump sum. Where contributions have been paid, this reduction is offset by 1/240 of Pensionable Salary for each month contributions have been paid, up to a maximum of 15 years.	3/80 * Final Pensionable Pay * Pensionable Service								
Commutation terms	Not applicable	Not applicable	Not applicable								
Early retirement provision	Reduced pension payable from age 60, provided 5 years' service completed.	Members benefits are preserved	Benefits are payable from age 50. Benefits are reduced by 5% for each year taken before Normal Pension Age. Those aged 55 with a minimum of 25 years' qualifying service may be eligible for unreduced benefits. Special provisions may be in place where members retire at the request of the employer.								

Benefit	Judicial Pension Scheme (1993 Act)	Judicial Pension Scheme: Judges of the Supreme Court – Pre 1995 appointees	Principal Civil Service Pension Scheme (Classic)								
Pension on ill-health retirement	An unreduced pension as for normal retirement. If the member has not reached age 65 then pensionable service is enhanced by one half of potential service to 65	Unreduced pension as for normal retirement	<p>Provided 2 years' service completed, pension and lump sum as for normal retirement, but including enhanced service as follows:</p> <table border="0"> <tr> <td>Time in</td> <td>Increase in scheme</td> </tr> <tr> <td>5-10 yrs</td> <td>Service is doubled</td> </tr> <tr> <td>10-13.33 yrs</td> <td>Increased to 20 yrs</td> </tr> <tr> <td>> 13.33 yrs</td> <td>Increased by 6 yrs</td> </tr> </table> <p>If less than 13.33 yrs service, total enhanced service is limited to the potential future service to 5 years after normal pension age.</p>	Time in	Increase in scheme	5-10 yrs	Service is doubled	10-13.33 yrs	Increased to 20 yrs	> 13.33 yrs	Increased by 6 yrs
Time in	Increase in scheme										
5-10 yrs	Service is doubled										
10-13.33 yrs	Increased to 20 yrs										
> 13.33 yrs	Increased by 6 yrs										
Separate lump sum on ill-health retirement	3 times pension less 3/160 of pensionable pay is payable for each extra year of service.		If more than 13.33 yrs service, total enhanced service is limited to the potential future service to normal pension age.								

Benefit	Judicial Pension Scheme (1993 Act)	Judicial Pension Scheme: Judges of the Supreme Court – Pre 1995 appointees	Principal Civil Service Pension Scheme (Classic)
Benefits on Death			
Adult dependant's pension on death after retirement	50% of member's pension in payment at date of death	50% of member's pension in payment at date of death	50% of member's pension in payment at death
Adult dependant's pension on death in service	50% of pension the member would have been entitled to if they had retired on ill-health at date of death	50% of pension the member would have been entitled to if they had retired on ill-health at date of death	Provided 2 years' service completed, pension based on 50% of the pension that would have been paid on retirement due to ill health. In addition a short-term benefit equal to Pensionable Salary is paid for 90 days. The dependant's pension starts when the short-term benefit stops
Children's pension on death after retirement or death in service	Payable to a child under age 16 or in full-time education. Where there is a surviving spouse the pension is equal to ½ of spouse's pension if there is one child and is equal to spouse's pension where there is more than one child. Where there is no surviving spouse, the pension is equal to 2/3 of spouse's pension where there is one eligible child and 4/3 of spouse's pension when there is more than one eligible child.	Payable to a child under age 16 or in full-time education. Where there is a surviving spouse the pension is equal to ½ of spouse's pension if there is one child and is equal to spouse's pension where there is more than one child. Where there is no surviving spouse, the pension is equal to 2/3 of spouse's pension where there is one eligible child and 4/3 of spouse's pension when there is more than one eligible child.	Payable to a child under age 18 or under 26 and in full time education. The pension is equal to ½ of dependent's pension for one child or equal to dependent's pension for more than one child. The pension commences when the short-term benefit ends.

Benefit	Judicial Pension Scheme (1993 Act)	Judicial Pension Scheme: Judges of the Supreme Court – Pre 1995 appointees	Principal Civil Service Pension Scheme (Classic)
Lump sum on death after retirement	If total of lump sum at retirement and pension paid is less than 5 times the annual rate of pension in force immediately before death, the deficiency is paid as a lump sum	If total of lump sum at retirement and pension paid is less than the lump sum that would have been paid had the member died in service, the deficiency is paid as a lump sum	A lump sum equal to the balance of 2 years' pension payments is paid if death occurs within 2 years of pension commencing
Lump sum on death in service	2 times pensionable pay	Amount equal to the last annual salary. If the member is married at the time of retirement, the lump sum is reduced by $\frac{3}{4}$ of the lump sum where contributions have been paid, this reduction is offset by $\frac{1}{320}$ of Pensionable Salary for each month in which contributions have been paid, up to a maximum of 15 years.	2 times pensionable earnings less $\frac{3}{60}$ *Final Pensionable Earnings * extra years of service awarded.
Benefits on Leaving Service			
Deferred pension on leaving service	Provided 2 years' service completed, pension preserved and accrued proportionately to the benefits the member would have been entitled had he served to normal pension age, based upon pensionable pay at leaving.	Provided 2 years' service completed, pension preserved and accrued proportionately to the benefits the member would have been entitled had he served to normal pension age, based upon pensionable salary at leaving	Provided 2 years' service completed, a preserved pension calculated as for normal retirement but based on pensionable earnings and service at leaving
Separate deferred lump sum on leaving service	Provided 2 years' service completed, lump sum preserved and accrued proportionately to the benefits the member would have been entitled had he served to normal pension age, based upon pensionable pay at leaving.	Provided 2 years' service completed, lump sum preserved and accrued proportionately to the benefits the member would have been entitled had he served to normal pension age, based upon pensionable pay at leaving.	Provided 2 years' service completed, a preserved lump sum calculated as for normal retirement but based on pensionable earnings and service at leaving

Benefit	Judicial Pension Scheme (1993 Act)	Judicial Pension Scheme: Judges of the Supreme Court – Pre 1995 appointees	Principal Civil Service Pension Scheme (Classic)
Earliest age at which deferred pension payable without reduction	The age the member could have received an immediate pension if they remained an active member of the Scheme.	The age the member could have received an immediate pension if they remained an active member of the Scheme.	60 unless specifically stated in individual member's terms and conditions
Adult dependant's pension on death in deferment	50% of member's preserved pension revalued to the date of death	50% of member's preserved pension revalued to the date of death	50% of member's preserved pension revalued to the date of death
Lump sum on death in deferment	Assumed to be 2.25 times preserved pension revalued to the date of death	Assumed to be preserved lump sum revalued to the date of death	Preserved lump sum revalued to the date of death
Increases to Pensions			
Increases to pensions in deferment	Increased each April in line with the increase in the Retail Prices Index	Increased each April in line with the increase in the Retail Prices Index	Increased each April in line with the increase in the Retail Prices Index
Increases to pensions in payment	Increased each April in line with the increase in the Retail Prices Index	Increased each April in line with the increase in the Retail Prices Index	Increased each April in line with the increase in the Retail Prices Index

Benefit	Judicial Pension Scheme (1993 Act)	Principal Civil Service Pension Scheme (Premium and Classic Plus – post 1 October 2002 service)	Principal Civil Service Pension Scheme (Partnership)																
Type of Scheme	Final Salary	Final Salary	Money Purchase																
Member's contributions	3% of pensionable pay until earlier of retirement or completion 20 years' service	3.5% of pensionable earnings	Members may choose to pay up to 3% of pensionable pay to the Scheme. The employer matches these contributions and in addition pays the following: <table border="0"> <thead> <tr> <th>Age</th> <th>% of earnings</th> </tr> </thead> <tbody> <tr> <td>less than 21</td> <td>3</td> </tr> <tr> <td>21 to 25</td> <td>4.5</td> </tr> <tr> <td>26 to 30</td> <td>6.5</td> </tr> <tr> <td>31 to 35</td> <td>8</td> </tr> <tr> <td>36 to 40</td> <td>10</td> </tr> <tr> <td>41 to 45</td> <td>11.5</td> </tr> <tr> <td>more than 45</td> <td>12.5</td> </tr> </tbody> </table>	Age	% of earnings	less than 21	3	21 to 25	4.5	26 to 30	6.5	31 to 35	8	36 to 40	10	41 to 45	11.5	more than 45	12.5
Age	% of earnings																		
less than 21	3																		
21 to 25	4.5																		
26 to 30	6.5																		
31 to 35	8																		
36 to 40	10																		
41 to 45	11.5																		
more than 45	12.5																		
Definitions																			
Normal Pension Age	65, subject to completion of 5 years' service Maximum pension age of 70	60 unless specifically stated in individual member's terms and conditions	Members can retire at any time after age 50 and before age 75 subject to employer consent																
Pensionable Salary	Spot salary as notified to the member, but restricted to the earnings cap. A supplementary arrangement exists to compensate members for the effects of the earnings cap.	Basic salary and other specified elements of pay such as shift duty allowance and substitution pay. Overtime payments are non-pensionable, although overtime premium payments are.	Basic salary and other specified elements of pay such as shift duty allowance and substitution pay. Overtime payments are non-pensionable, although overtime premium payments are.																

Benefit	Judicial Pension Scheme (1993 Act)	Principal Civil Service Pension Scheme (Premium and Classic Plus – post 1 October 2002 service)	Principal Civil Service Pension Scheme (Partnership)
Final Pensionable Salary	Largest pensionable salary paid of any 12 months over last 3 years	Maximum of: a) pensionable earnings in last 12 months b) pensionable earnings in the best of the last 4 tax years c) pensionable earnings plus any pensionable bonuses averaged over any period of 3 consecutive tax years over the last 13 years	Not applicable
Pensionable Service	Years and days of service	Years and days worked whilst a member of the scheme minus non-reckonable time-off e.g. strike days. Pensionable service accrued prior to 1 October 2002 is reduced to take account of improved benefits.	Not applicable
Maximum Pensionable Service	20 years	40 years' reckonable service in total	Not applicable
Adult Dependant	Surviving spouse (unless marriage took place after the member ceased to hold judicial office)	Legally married spouse on death	Legally married spouse on death

Benefit	Judicial Pension Scheme (1993 Act)	Principal Civil Service Pension Scheme (Premium and Classic Plus – post 1 October 2002 service)	Principal Civil Service Pension Scheme (Partnership)
Benefits at Retirement			
Pension at retirement	If total service exceeds 20 years, then 50% of pensionable pay Otherwise 1/40 * final pensionable pay * aggregate length of service	1/60 * Final Pensionable Pay * Pensionable Service	Dependent on annuity rates available at retirement, contributions paid in the fund and investment return on that fund
Separate Lump Sum at retirement	2.25 times pension	Members have to option to commute some of their pension for cash.	Up to 25% of the fund can be taken as cash at retirement.
Commutation terms	Not applicable	The member can receive £12 of pension for every £1 pa of pension given up	The fund is reduced on a pound-for-pound basis
Early retirement provision	Unreduced pension payable from age 60, provided 5 years' service completed.	Benefits are reduced by 5% for each year taken before Normal Pension Age. Those aged 55 with a minimum of 25 years' qualifying service may be eligible for unreduced benefits. Special provisions may be in place where members retire at the request of the employer.	Dependent on annuity rates available at retirement, contributions paid in the fund and investment return on that fund

Benefit	Judicial Pension Scheme (1993 Act)	Principal Civil Service Pension Scheme (Premium and Classic Plus – post 1 October 2002 service)	Principal Civil Service Pension Scheme (Partnership)
Pension on ill-health retirement	If age is less than 65, an unreduced pension as for normal retirement. If the member is younger than 65 then pensionable service is enhanced by half of potential service to 65	<p>Upper tier (no possibility of any future employment) Immediate unreduced pension, increased to amount which would have been paid if member had continued current working pattern up to pension age</p> <p>Lower tier (possibility of some future employment) Immediate unreduced pension. If less than 10 years' service at retirement, service increased to lesser of 10 years and twice current service, subject to a maximum of half the service remaining to normal pension age</p>	On retirement prior to age 60 provided at least 2 years service completed lump sum compensation of 20% of pay for each year of service, up to a maximum of 3 years pay. Fund remains invested to provide benefits on eventual retirement.
Benefits on Death			
Adult dependant's pension on death after retirement	50% of member's pension in payment at date of death	37.5% of member's pre-commutation pension in payment at death	Determined by type of annuity purchased at retirement
Adult dependant's pension on death in service	50% of pension the member would have been entitled to if they had retired on ill-health at date of death	Provided 2 years' service completed, pension based on 37.5% member's lower tier ill health pension.	None

Benefit	Judicial Pension Scheme (1993 Act)	Principal Civil Service Pension Scheme (Premium and Classic Plus – post 1 October 2002 service)	Principal Civil Service Pension Scheme (Partnership)
Children's pension on death after retirement or death in service	Payable to a child under age 16 or in full-time education. Where there is a surviving spouse the pension is equal to ½ of spouse's pension if there is one child and is equal to spouse's pension where there is more than one child. Where there is no surviving spouse, the pension is equal to 2/3 of spouse's pension where there is one eligible child and 4/3 of spouse's pension when there is more than one eligible child.	Payable to a child under age 16 or in full-time education. Where there is a surviving spouse pension is equal to 60% of dependant's pension. Where there is no surviving spouse, pension is equal to the dependant's pension where there is one eligible child and twice the dependant's pension when there is more than one eligible child.	None
Lump sum on death after retirement	If total of lump sum at retirement and pension paid is less than 5 times the annual rate of pension in force immediately before death, the deficiency is paid as a lump sum	If death occurs within 5 years of drawing the pension, a lump sum equal to the balance of 5 years' pension payments is paid	Determined by type of annuity purchased at retirement
Lump sum on death in service	2 times pensionable pay	3 times pensionable earnings	3 times member's pensionable earnings plus the accumulated fund value
Benefits on Leaving Service			
Deferred pension on leaving service	Provided 2 years' service completed, pension preserved and accrued proportionately to the benefits the member would have been entitled had he served to normal pension age, based upon pensionable pay at leaving.	Provided 2 years' service completed, a preserved pension calculated as for normal retirement but based on pensionable earnings and service at leaving	The fund remains invested until retirement or death

Benefit	Judicial Pension Scheme (1993 Act)	Principal Civil Service Pension Scheme (Premium and Classic Plus – post 1 October 2002 service)	Principal Civil Service Pension Scheme (Partnership)
Separate deferred lump sum on leaving service	Provided 2 years' service completed, lump sum preserved and accrued proportionately to the benefits the member would have been entitled had he served to normal pension age, based upon pensionable pay at leaving.	None	Not applicable
Earliest age at which deferred pension payable without reduction	The age the member could have received an immediate pension if they remained an active member of the Scheme.	60 unless specifically stated in individual member's terms and conditions	The fund is used to purchase an annuity at retirement.
Adult dependant's pension on death in deferment	50% of member's preserved pension revalued to the date of death	37.5% of preserved pension revalued to date of death.	None
Lump sum on death in deferment	Assumed to be 2.25 times preserved pension revalued to the date of death	5 times preserved pension revalued to date of death.	The accumulated fund value is paid to a person nominated by the member
Increases to Pensions			
Increases to pensions in deferment	Increased in line with the increase in the Retail Prices Index	Increased each April in line with the increase in the Retail Prices Index	The fund remains invested until retirement or death
Increases to pensions in payment	Increased in line with the increase in the Retail Prices Index	Increased each April in line with the increase in the Retail Prices Index	Determined by type of annuity purchased at retirement

Benefit	Judicial Pension Scheme (1993 Act)	Armed Forces Pension Scheme
Type of Scheme	Final Salary	Final Salary
Member's contributions	3% of pensionable pay until earlier of retirement or completion 20 years' service	None
Definitions		
Normal Pension Age	65, subject to completion of 5 years' service Maximum pension age of 70	55, although members may retire with an immediate unreduced pension before this age.
Pensionable Salary	Spot salary as notified to the member, but restricted to the earnings cap. A supplementary arrangement exists to compensate members for the effects of the earnings cap.	Gross earnings notified as pensionable (specialist pay is excluded)
Final Pensionable Salary	Largest pensionable salary paid of any 12 months over last 3 years	Pensionable salary
Pensionable Service	Years and days of service	All service from age 21
Maximum Pensionable Service	20 years	34 years
Adult Dependant	Surviving spouse (unless marriage took place after the member ceased to hold judicial office)	Legally married spouse at death

Benefit	Judicial Pension Scheme (1993 Act)	Armed Forces Pension Scheme
Benefits at Retirement		
Pension at retirement	If total service exceeds 20 years, then 50% of pensionable pay Otherwise $1/40 * \text{final pensionable pay} * \text{aggregate length of service}$	An immediate pension of 28.5% of final pensionable pay after 16 years service, rising uniformly to 48.5% of final pensionable pay after 34 years.
Separate Lump Sum at retirement	2.25 times pension	Lump sum of 3 times the pension payable
Commutation terms	Not applicable	Options available to temporarily commute part of pension payable before age 55 (resettlement commutation). Members with service before 1 April 1978 may commute part of the pension payable for life.
Early retirement provision	Unreduced pension payable from age 60, provided 5 years' service completed.	See pension at retirement above. Officers who retire without completing their commission or engagement have their pension reduced. There is no such reduction if the member has more than 29 years' service.
Pension on ill-health retirement	If age is less than 65, an unreduced pension as for normal retirement. If the member is younger than 65 then pensionable service is enhanced by half of potential service to 65	Provided at least 2 years' service completed, an immediate pension and lump sum paid is provided, based on enhanced service if at least 5 years' service have been completed.

Benefit	Judicial Pension Scheme (1993 Act)	Armed Forces Pension Scheme
Benefits on Death		
Adult dependant's pension on death after retirement	50% of member's pension in payment at date of death	Eligible survivors receive a pension at a rate equal to any pension already in payment for 91 days (182 days if there are children) reduced to half the pension in payment thereafter.
Adult dependant's pension on death in service	50% of pension the member would have been entitled to if they had retired on ill-health at date of death	50% of pension entitlement for service after 31 March 1973 and 33.3% for service before. Entitlement is the pension member would have received if they had been non-attributably invalided on date of death. Short-term pension payable as described for death after retirement.
Lump sum on death after retirement	If total of lump sum at retirement and pension paid is less than 5 times the annual rate of pension in force immediately before death, the deficiency is paid as a lump sum	None
Children's pension on death after retirement and death in service.	Payable to a child under age 16 or in full-time education. Where there is a surviving spouse the pension is equal to ½ of spouse's pension if there is one child and is equal to spouse's pension where there is more than one child. Where there is no surviving spouse, the pension is equal to 2/3 of spouse's pension where there is one eligible child and 4/3 of spouse's pension when there is more than one eligible child.	Payable to a child under age 17 or in full-time education. If there is a spouse's pension payable, a pension equal to ½ dependant's pension for one child and a pension equal to dependent's pension for more than one child. On death in service, pension is based on a minimum of 5 years' pensionable service. Higher benefits are payable if there is no spouse's pension payable.

Benefit	Judicial Pension Scheme (1993 Act)	Armed Forces Pension Scheme
Lump sum on death in service	2 times pensionable pay	Lump sum payable equal to the greater of one year's pay and the lump sum which would have been paid on invaliding grounds
Benefits on Leaving Service		
Deferred pension on leaving service	Provided 2 years' service completed, pension preserved and accrued proportionately to the benefits the member would have been entitled had he served to normal pension age, based upon pensionable pay at leaving.	Provided 2 years' service completed and before Immediate Pension Part reached preserved pension based on 3% of full career pension for each year of pensionable service
Separate deferred lump sum on leaving service	Provided 2 years' service completed, lump sum preserved and accrued proportionately to the benefits the member would have been entitled had he served to normal pension age, based upon pensionable pay at leaving.	Lump sum of 3 times preserved pension, payable from age 60.
Age at which deferred benefits payable	The age the member could have received an immediate pension if they remained an active member of the Scheme.	Age 60
Adult dependant's pension on death in deferment	50% of member's preserved pension revalued to the date of death	None
Lump sum on death in deferment	Assumed to be 2.25 times preserved pension revalued to the date of death	Tax-free gratuity equal to the initially assessed value of preserved terminal grant if death occurs before preserved benefits are received

Benefit	Judicial Pension Scheme (1993 Act)	Armed Forces Pension Scheme
Increases to Pensions		
Increases to pensions in deferment	Increased in line with the increase in the Retail Prices Index	Increased each April in line with the increase in the Retail Prices Index
Increases to pensions in payment	Increased in line with the increase in the Retail Prices Index	From age 55, the pension is increased each April in line with the increase in the Retail Prices Index. The pension is not increased before age 55, at which point it is increased to take account of the total rise in Retail Prices Index since service ended.