



# Government Actuary's Department

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21 November 2014

Dear Shirley

## **Judicial Pensions Scheme: Early Retirement Factors**

1. We have recently completed the 2012 Judicial Pensions Scheme (JPS) valuation. The actuarial assumptions relating to the scheme were revised and therefore we recommend that the early retirement factors (ERFs) used by the scheme are now reviewed to be consistent with the revised actuarial assumptions.

### **Current factors and regulatory background**

2. The Judicial Pensions (Miscellaneous) Regulations 1995 [SI 1995 No.632] govern early retirement and contain the scheme's ERFs which were "hardcoded" into the regulations. The scheme's ERFs were last reviewed and changed in October 2011 to reflect a change in the SCAPE discount rate to ensure that they were cost-neutral.

### **Proposed revised ERFs**

3. The actuarial assumptions of the scheme have been updated in the 2012 valuation and therefore it would be appropriate to review the ERFs now. The proposed factors would then be cost neutral with respect to the 2012 best-estimate valuation assumptions.

### **Actuarial assumptions**

4. On early retirement a member's pension is reduced to reflect the longer average time they are expected to receive their pension for and the earlier payment of their lump sum. A comparison needs to be made between the actuarial value of the benefits the member receives on early retirement and the actuarial value of the alternative benefits the member would have received on normal retirement.
5. The actuarial assumptions are consistent with the advice contained in our report "Judicial Pension Scheme: Advice on actuarial calculation factors" dated 13 October 2004 which has been agreed by the Ministry of Justice. Specifically the financial and demographic assumptions used to calculate the ERFs are those summarised in Appendix A of that report.

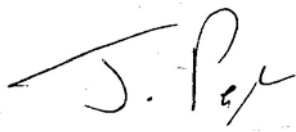
### **Proposed factors**

6. A table of the proposed factors is contained in Appendix A. The 1995 Regulations contain factors from age 30 and therefore we have produced factors from this age again.
7. The proposed factors give a slightly lower reduction on early retirement than the current factors, so the use of these proposed factors will result in members receiving a slightly higher pension on early retirement.

### **Next steps**

8. Please let me know if you are content to put in place the proposed factors and when you expect that the factors will come into force.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J. Pepler', with a stylized flourish at the end.

James Pepler FIA  
**Deputy Chief Actuary**

## **Appendix A – Proposed early retirement factors**

<b>Age exact</b>	<b>Proposed early retirement factors</b>
30	0.268
31	0.276
32	0.284
33	0.292
34	0.300
35	0.309
36	0.318
37	0.328
38	0.338
39	0.348
40	0.359
41	0.370
42	0.382
43	0.395
44	0.408
45	0.422
46	0.436
47	0.452
48	0.468
49	0.486
50	0.504
51	0.524
52	0.545
53	0.568
54	0.593
55	0.619
56	0.647
57	0.677
58	0.708
59	0.742
60	0.778
61	0.816
62	0.858
63	0.902
64	0.949
65	1.000

These unisex factors should be applied in accordance with the provisions of The Judicial Pensions (Miscellaneous) Regulations 1995 [SI 1995 No.632].

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