



# Government Actuary's Department

## **New Judicial Pension Scheme 2015**

Trivial commutation

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## 1 Introduction

- 1.1 This report is addressed to the Lord Chancellor in his capacity as the Scheme Manager of the New Judicial Pension Scheme 2015 (NJPS 2015), which comes into force from 1st April 2015 by the Judicial Pension Regulations 2015 ("the Regulations").
- 1.2 This document sets out the actuarial guidance on the calculation of the amounts payable on trivial commutation of a pension, either on a member's retirement, or following a member's death, under Regulation 149 of the Regulations.
- 1.3 Trivial commutation factors are the responsibility of the Scheme Actuary of the NJPS under Regulation 149(3). This document forms GAD's advice that is required by these regulations. The factors will come into force immediately the NJPS is introduced from 1 April 2015.
- 1.4 The remainder of this introduction contains:
  - > details of the implementation and future review of this guidance,
  - > statements about third party reliance and liability
- 1.5 In the remainder of this note:
  - > the second section describes the trivial commutation calculation
  - > the third section provides example calculations
  - > the fourth section contains the relevant factors
  - > Appendix A sets out some important limitations
- 1.6 The Government Actuary's Department (GAD) seeks to achieve a high standard in all our work. Please go to our [website](https://www.gov.uk/government/organisations/government-actuarys-department/about/terms-of-reference)<sup>1</sup> for details of the standards we apply.

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<sup>1</sup> <https://www.gov.uk/government/organisations/government-actuarys-department/about/terms-of-reference>



### **Implementation and Review**

- 1.7 Payment of a trivial commutation lump sum in respect of a pension is permitted under Regulation 149 of the 2015 Regulations and discharges all liabilities under this scheme in respect of that pension.
- 1.8 Table A gives age specific, unisex factors to be multiplied respectively by the member's total pension and the contingent spouse's, civil partner's or nominated cohabiting partner's pension payable on the member's death. The inclusion of an amount relating to a dependant's pension applies whether or not the member has a spouse, civil partner or nominated cohabiting partner at the time the commutation occurs.
- 1.9 Members with GMP should be referred to GAD for calculation.
- 1.10 This guidance has been written for pension administrators and assumes some knowledge of general pension terminology, and some familiarity with retirement calculations for the NJPS 2015. Any questions concerning the application of the guidance should, in the first instance, be referred to MoJ.

### **Use of this note**

- 1.11 This note has been prepared for MoJ and can be relied upon by them. We are content for this note to be released to third parties, provided that:
  - > it is released in full;
  - > the advice is not quoted selectively or partially; and
  - > GAD is identified as the source of the note.
- 1.12 Third parties may wish to seek their own actuarial advice where appropriate. GAD has no liability to any person or third party for any act or omission taken, either in whole or in part, on the basis of this note.



## 2 Trivial commutation calculation

### Introduction

- 2.1 This section sets out the method and instructions for calculating the trivial commutation lump sum.

### Calculation of a Member's Pension

- 2.2 The lump sum capital value payable should be determined in accordance with the following formula:

Member's pension x FacA1

plus

Adult Dependant's pension x FacA2

where:

FacA1 = factor applied to Member's pension

FacA2 = factor applied to Adult Dependant's pension payable on the member's death

Both factors are taken from Table A.

This lump sum capitalises the value of the pension payable to the member and any contingent pension payable to dependants on the death of the member.

Section 3 contains an example of such a calculation.

### Commutation of a Dependant's pension

- 2.3 MoJ may commute the pension which is payable on a member's death to any surviving spouse, civil partner or nominated cohabiting partner or to (or in respect of) an eligible child or children by paying a trivial commutation lump sum death benefit.
- 2.4 Table B in Appendix A sets out age specific factors for the surviving spouse, civil partner or nominated cohabiting partner. These factors are multiplied by the dependant's total pension to give the lump sum capital value payable.
- 2.5 This formula only allows for the dependant's pension: any lump sum death benefits should be paid separately.
- 2.6 The lump sum capital value payable should be determined in accordance with the following formula:

Dependant's Pension x FacB

Where FacB is a factor taken from Table B.



### **Commutation of Children's pension**

2.7 The children's factors we have calculated in Table C are for children eligible for a pension under Regulation 103(2) or 103(3). If the child is eligible for a pension under Regulation 103(4) – i.e. the child is unable to engage in gainful employment because of physical or mental impairment, please refer the case to GAD.

2.8 The lump sum capital value payable should be determined in accordance with the following formula:

Child's Pension x FacC

Where FacC is a factor taken from Table C.



### 3 Example calculations

3.1 This section provides some examples of the calculations described by this note.

#### Example 1: Member's pension coming into payment at capitalisation date

The following information is needed for this calculation:

|   |               |
|---|---------------|
| A. Member's date of birth                                 | 15 March 1952 |
| B. Effective capitalisation date                          | 31 March 2016 |
| C. Age in complete years on effective capitalisation date | 63 years      |
| D. Member's total pension in payment:                     | £500 pa       |
| E. Dependant's pension payable on the member's death      | £180 pa       |

FacA1 = 17.943  
FacA2 = 3.101

Capitalised lump sum payable = (Member's pension x FacA1) + (Dependant's pension x FacA2)

= (£500 x 17.943) + (£180 x 3.101)

= £9,529.68



**Example 2: Dependant's pension coming into payment at capitalisation date**

The following information is needed for this calculation:

|  |               |
|--|---------------|
| <b>A.</b> Dependant's date of birth            | 23 March 1953 |
| <b>B.</b> Effective capitalisation date        | 29 June 2015  |
| <b>C.</b> Dependant's age                      | 62            |
| <b>D.</b> Dependant's total pension in payment | £400 pa       |

FacB = 18.814 from Table B

Capitalised lump sum payable      = Dependant's Pension x FacB  
   = £400.00 x 18.814  
   = £7,525.60 pa

**Example 3: Children's pension coming into payment at capitalisation date**

The following information is needed for this calculation:

|  |               |
|--|---------------|
| <b>A.</b> Child's date of birth                | 23 March 2005 |
| <b>B.</b> Effective capitalisation date        | 29 June 2015  |
| <b>C.</b> Dependant's age                      | 10            |
| <b>D.</b> Dependant's total pension in payment | £330 pa       |

FacC = 10.451 from Table C

Capitalised lump sum payable      = Children's Pension x FacC  
   = £330.00 x 10.451  
   = £3,448.83 pa





## 4 Tables of factors

Table A– Factors for member's pension – Unisex

| Age last birthday at<br>effective<br>capitalisation date | Factor to<br>apply to<br>member's<br>pension<br>(FacA1) | Factor to<br>apply to<br>dependant's<br>pension<br>(FacA2) |
|--|---|--|
| 55   | 21.106  | 2.677  |
| 56   | 20.739  | 2.733  |
| 57   | 20.362  | 2.790  |
| 58   | 19.978  | 2.845  |
| 59   | 19.586  | 2.900  |
| 60   | 19.186  | 2.953  |
| 61   | 18.779  | 3.004  |
| 62   | 18.364  | 3.054  |
| 63   | 17.943  | 3.101  |
| 64   | 17.514  | 3.147  |
| 65   | 17.077  | 3.190  |
| 66   | 16.632  | 3.233  |
| 67   | 16.177  | 3.274  |
| 68   | 15.714  | 3.314  |
| 69   | 15.244  | 3.308  |
| 70   | 14.741  | 3.299  |
| 71   | 14.210  | 3.330  |
| 72   | 13.676  | 3.356  |
| 73   | 13.146  | 3.376  |
| 74   | 12.625  | 3.267  |
| 75   | 12.116  | 3.149  |



**Table B – Factors for surviving adult dependant's pension - unisex**

| <b>Age last birthday at effective capitalisation date</b> | <b>Factor to apply to whole of pension (FacB)</b> |
|---|---|
| 35  | 26.940  |
| 36  | 26.731  |
| 37  | 26.517  |
| 38  | 26.298  |
| 39  | 26.072  |
| 40  | 25.840  |
| 41  | 25.601  |
| 42  | 25.356  |
| 43  | 25.103  |
| 44  | 24.843  |
| 45  | 24.575  |
| 46  | 24.299  |
| 47  | 24.015  |
| 48  | 23.723  |
| 49  | 23.423  |
| 50  | 23.116  |
| 51  | 22.802  |
| 52  | 22.480  |
| 53  | 22.151  |
| 54  | 21.815  |
| 55  | 21.470  |
| 56  | 21.117  |
| 57  | 20.755  |
| 58  | 20.384  |
| 59  | 20.005  |
| 60  | 19.618  |
| 61  | 19.220  |
| 62  | 18.814  |
| 63  | 18.398  |
| 64  | 17.974  |
| 65  | 17.539  |
| 66  | 17.095  |
| 67  | 16.640  |
| 68  | 16.176  |
| 69  | 15.702  |
| 70  | 15.219  |
| 71  | 14.727  |
| 72  | 14.230  |
| 73  | 13.727  |
| 74  | 13.221  |
| 75  | 12.714  |



**Table C – Factors for children's pension**

| <b>Age last birthday at effective capitalisation date</b> | <b>Factor to apply to child's pension (FacC)</b> |
|---|--|
| 0   | 16.434   |
| 1   | 15.912   |
| 2   | 15.374   |
| 3   | 14.821   |
| 4   | 14.250   |
| 5   | 13.663   |
| 6   | 13.058   |
| 7   | 12.435   |
| 8   | 11.793   |
| 9   | 11.132   |
| 10  | 10.451   |
| 11  | 9.749  |
| 12  | 9.027  |
| 13  | 8.283  |
| 14  | 7.516  |
| 15  | 6.727  |
| 16  | 5.914  |
| 17  | 5.076  |
| 18  | 4.214  |
| 19  | 3.325  |
| 20  | 2.410  |
| 21  | 1.467  |
| 22  | 0.496  |



## Appendix A: Limitations

- A.1 This note should not be used for any purpose other than to determine the amount payable on the trivial commutation of a member's pension or a dependant's pension following a member's death in accordance with the regulations cited above.
- A.2 The factors contained in this note are subject to regular review. Administrators need to ensure that they are using the latest factors, as relevant, when processing cases.
- A.3 This note should be considered in its entirety as individual sections, if considered in isolation, may be misleading, and conclusions reached by a review of some sections on their own may be incorrect.
- A.4 This note only covers the actuarial principles around the calculation of the lump to be paid on trivial commutation. Any legal advice in this area should be sought from an appropriately qualified person or source.
- A.5 Administrators should satisfy themselves that the trivial commutation lump sum complies with all legislative requirements including, but not limited to, taxation and contracting-out requirements.
- A.6 This guidance is based on the Regulations in force at the time of writing. It is possible that future changes to the Regulations might create inconsistencies between this guidance and the Regulations. If users of this guidance believe there to be any such inconsistencies, they should bring this to the attention of the Ministry of Justice. In no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.