Judicial Pensions Scheme
Annual Report and Accounts
2020-21

(For the year ended 31 March 2021)

HC 692

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2020 - 21

(For the year ended 31 March 2021)

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HC 692

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Contents

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE

REPORT OF THE MANAGERS

Background to the Judicial Pensions Scheme

The Judicial Pensions Scheme (JPS) consists of four principal judicial pension schemes. These are:

The 1981 Scheme (JPA 1981)

Salaried judges appointed prior to 31 March 1995 usually participate in a scheme established under the Judicial Pensions Act 1981 (JPA 1981). JPA 1981 members have the right to elect to transfer to the 1993 Scheme (see below) at any time up to six-months after retirement.

JPA 1981 is an unfunded, final salary occupational pension scheme, which is not registered for tax purposes.

The 1993 Scheme (JUPRA)

Salaried judges appointed between 31 March 1995 and 31 March 2015 usually participate in a scheme established under the Judicial Pensions and Retirement Act 1993 (JUPRA).

JUPRA is an unfunded, final salary occupational pension scheme, which is not registered for tax purposes.

The 2015 Scheme (JPS 2015)

The JPS 2015 was established under the Judicial Pensions Regulations 2015 and came into effect on 1 April 2015.

From 1 April 2015, all newly eligible judicial office holders join the JPS 2015 scheme unless they decide to opt out. This included those in post at 1 April 2015 who did not have full or tapering transitional protection at the time.

The JPS 2015 is an unfunded, career average scheme for both salaried and fee-paid judges. Unlike JPA 1981 and JUPRA, JPS 2015 is a tax registered scheme.

The JPS 2015 pension scheme reference number is 10276694 and the pension scheme tax reference number is 00820836RY.

The 2017 Scheme (FPJPS)

The Fee-Paid Judicial Pension Scheme (FPJPS) was established under the Judicial Pensions (Fee-Paid Judges) Regulations 2017 and came into effect on 1 April 2017. FPJPS includes historic pension entitlement, where appropriate.

FPJPS is an unfunded, final salary scheme for eligible fee-paid judges which mirrors JUPRA as far as possible. FPJPS eligibility was established following litigation.

Transitional Protection

JPA 1981, JUPRA and FPJPS members with full transitional protection under Schedule 2 to the Judicial Pensions Regulations 2015 remain in their current JPS.

Those with tapering transitional protection under these regulations had a choice of moving to JPS 2015 on 1 April 2015 or at the end of their taper period, until this process was stopped on 30 September 2019, following the judgment in McCloud v the Ministry of Justice (MoJ).

The MoJ consulted on its approach to addressing the discrimination identified in the McCloud case and published its response on 25 February 2021. Judges in scope of the McCloud remedy period will participate in an options exercise. This will allow them to make a retrospective choice of pension scheme membership for the period that they were accruing benefits in JPS 2015. The choice available in the options exercise would be between the relevant pre-2015 scheme, JUPRA or FPJPS, and JPS 2015.

Main Features of the JPS

Scheme	Membership	Accrual Rate
JPA 1981 & JUPRA	Eligible salaried judges with full or tapering transitional protection plus salaried judges in scope of the McCloud remedy who opt for JUPRA service for the remedy period.	**JPA 1981:** Maximum accrual rate 20/40ths after 15 years or 40/80ths after 20 years depending upon office held. **JUPRA:** Maximum accrual rate 20/40ths after 20 years.
FPJPS	Eligible fee-paid judges with full or tapering transitional protection plus fee-paid judges in scope of the McCloud remedy who opt for FPJPS service for the remedy period.	Maximum accrual rate 20/40ths after 20 years.
JPS 2015	Eligible salaried & fee-paid judges, including those who have tapered from the other JPS, unless they are in scope of the McCloud remedy and opt for JUPRA / FPJPS service for the remedy period.	2.32% of pensionable earnings each year. There is no limit to the number of pension years that can be accrued.

JPA 1981 provides for maximum benefit accrual over either 15 or 20 years. The qualifying conditions for retirement benefits vary according to age and length of pensionable service. The retirement lump sum is twice the initial annual pension.

JUPRA and FPJPS provides a lump sum of 2.25 times the member’s initial annual pension. Members’ normal retirement pension is calculated at $1/40^{th}$ of the highest of the last three years’ pensionable pay, up to a level reflecting the former HM Revenue and Customs (HMRC) earnings cap (the ‘notional’ earnings cap), multiplied by the number of years of reckonable service, up to a maximum of 20 years. Retirement benefits are payable from age 65 years subject to having completed five years’ pensionable service.

A top up scheme operates to provide pension benefits for JUPRA and FPJPS members in respect of salaries above the notional earnings cap. The 2020-21 notional earnings cap was £170,400 (2019-20: £166,200).

As JPA 1981, JUPRA and FPJPS are not tax registered schemes, member contributions and lump sum benefits payable on retirement do not attract income tax relief.

Judges in the non-tax registered JPS, receive a judicial service award which becomes payable as they near retirement. The level of the award, which is a proportion of the lump sum, reflects both their years of service and judicial grade and ensures their net position is maintained. Judicial service awards are accounted for in the MoJ accounts.

Spouses' and civil partners' pension benefits, payable on the death of a JPA 1981, JUPRA or FPJPS member, are paid at the rate of half that of the member's annual pension entitlements.

JPA 1981, JUPRA and FPJPS also provide benefits on death in service and death in early retirement, as well as early payment of pension benefits in the event of retirement on the grounds of ill health. The level of benefits provided depends on the appropriate legislation.

There is also provision for leaving members who have completed two years' service to preserve their accrued JPS benefits for payment when they reach normal pension age, in accordance with the scheme rules.

As JPS 2015 is a tax registered scheme, benefits accrued are subject to annual and lifetime allowance limits for tax purposes. Pension contributions and retirement lump sums attract tax relief. The scheme is based on a career average accrual model and there is no restriction on the number of accruing years in service. The annual accrual rate is 2.32% meaning each scheme year members bank an amount of pension at the rate of 2.32% of their pensionable earnings in that period. A member's final pension is made up of the amounts banked each scheme year with indexation applied. The indexing (revaluation) rate is in line with the index set under section 9 of the Public Services Pension Act 2013, currently in line with the Consumer Price Index (CPI).

The age at which a JPS 2015 pension becomes payable without reduction is linked to the member's State Pension Age (SPA).

JPS 2015 does not provide an automatic lump sum. However, it is possible for members to commute part of their pension into a lump sum at the rate of £12 for every £1 per annum of pension commuted, subject to HMRC limits.

JPS 2015 also provides for a surviving adult's pension at a rate of 37.5% of the member's pension. It is possible for members to allocate a proportion of their pension. Allocation allows a member to surrender part of their pension to provide a pension for a financial dependant, payable following the member's death.

There is provision for ill health retirement and death in service benefits. It is also possible for a member to take partial retirement, whereby a member can draw pension benefits while remaining in office.

The Partnership Pension Account

All judges eligible to join the JPS 2015 can opt out and join the Partnership Pension Account (PPA) in lieu of joining the JPS 2015. Judges opting to join the PPA are no longer members of the JPS, however they do retain the right to transfer to the JPS 2015 at a later date.

Lord Chancellor's Pensions

In addition, the JPS Accounts include pensions paid to former Lord Chancellors under the Lord Chancellor's Pension Act 1832, as amended.

Enhancing JPS Retirement Benefits

Serving members of the JPA 1981, JUPRA and FPJPS schemes can increase their scheme entitlement by making additional contributions to one of three Additional Voluntary Contribution (AVC) facilities within the JPS. These are Judicial Added Benefits Scheme, the Judicial Added Years Scheme and the Surviving Spouse's Pension Scheme. These three arrangements were closed to new subscribers with effect from 6 April 2006.

FPJPS members who held an eligible judicial office before 6 April 2006 may contribute to the Fee-Paid Judicial Added Years Scheme and the Fee-Paid Judicial Added Years Surviving Adult's Pension Scheme. They may only make contributions to the Fee-Paid Judicial Additional Surviving Adult's Pension Scheme during periods of service in qualifying judicial office during which they have a spouse or civil partner.

There are two internal AVC arrangements available to serving JPS 2015 members. These are the Added Pension Option and the Effective Pension Age Option.

Members' Additional Voluntary Contributions (AVCs)

Members of each of the four main JPS may pay Judicial Additional Voluntary Contribution Scheme (JAVCS) contributions to approved arrangements with Prudential PLC and Utmost Life and Pensions Ltd.

Funding

Funding Sources

JPS benefits are paid from two sources. Under statute, certain judicial post-holders' basic pension benefits (but not the annual pension increase) can only be paid out of the Consolidated Fund. For other JPS members, the pension benefits are paid from Judicial Pensions Scheme Estimates voted by Parliament.

The boundary of these JPS accounts is inclusive of all relevant expenditure and income relating to the payment of judicial pension benefits, irrespective of the source of the funds.

Contributions into the JPS

The cost of benefits accruing for each year of service is shared between the appointing bodies and the judicial office-holders. For the appointing bodies, the contribution rate was 51.35% of pensionable pay for 2020-21 (2019-20: 51.35%), which includes an administration charge of 0.25%.

In 2020-21 pension contributions for members varied between 2.76% and 8.05% dependent upon the annualised rate of pensionable earnings. While the contribution earnings' bands have been adjusted from the prior year, the contribution rates are unchanged.

Contributions to the JPS by employers are set at rates determined by the Government Actuary's Department (GAD) and approved by the MoJ in conjunction with the Judicial Pension Board. Contributions to the JPS by members are paid at rates set out in secondary legislation. The contributions partially fund payments made by the JPS, the balance of funding being provided by Parliamentary Vote, through the annual supply estimates process, and directly from the Consolidated Fund.

The contribution rates for members of the JPA 1981, JUPRA and FPJPS schemes are lower than JPS 2015 rates to take account of tax relief not being applicable. This contribution incorporates Dependants' Pension Contributions (DPC) and the Personal Pension Contributions (PPC).

Pension Increases

Annual increases are applied to pension payments in accordance with the Pensions (Increase) Act 1971 at the rate detailed in the annual pension increase order. In accordance with the Pensions Increase (Review) Order 2021, for a pension which began before 6th April 2020, the annual rate of increase is 0.5% (2019: 1.7%). For a pension which began on or after 6th April 2020, the annual increase of 0.5% is pro-rated.

Discount Rate

Since 2006 the discount rate for pensions has been reviewed annually, using market conditions. On 18 December 2020 HM Treasury announced in it's Public Expenditure Survey paper PES (2020)12 that the discount rate for pension liabilities would change from -0.5% to -0.95% in real terms with effect from 31 March 2021.

Financial Position

At 31 March 2021 the JPS had long-term liabilities of £6,308m (31 March 2020: £5,752m – Restated), the scheme liability has increased by £556m.

Overall, in 2020-21 voted expenditure for the JPS was £57m less than the budgeted amount within the Supplementary Estimate. The main reasons for this were:

- a budgeted amount of £100m for potential increases to liabilities less the past service cost of £67m relating to O'Brien, Miller and McCloud, resulting in £33m budgeted but not required due to potential liabilities from on-going litigation cases not occurring

- a reduction of £14m in current service costs, i.e. the accruing cost of pensions in the year, which is driven by variations in the pensionable payroll

- an increase of £10m in income received from pension contributions compared to the forecast

The key figures of interest cost, current service cost (CSC), i.e. the increases in liability arising from service incurred in the year and past service cost (PSC), i.e. the increase in liability arising from service incurred in previous years, are calculated by GAD. In the case of these costs, an allowance is made in the estimate for unexpected costs.

Interest cost of £104m for 2020-21 is significantly lower than the previous year (£139m). The interest cost is calculated by applying the gross discount rate to the liability at 31 March 2020 of £5,752m (restated). The gross discount rate has decreased from 2.90% at 31 March 2019 to 1.80% at 31 March 2020 which has the effect of decreasing the interest cost. The interest charge is also below the supplementary estimate of £106m, which included a contingency of £1m.

The CSC is primarily driven by applying the cost of pensions earned by active members over the year to the annual payroll figure. CSC has increased from £259m in 2019-20 to £275m in 2020-21. This is due to the decrease in discount rate net of CPI inflation from 0.29% at 31 March 2019 to -0.5% at 31 March 2020, increasing the service cost as a percentage of pay. The outturn was below the supplementary estimate figure of £297m, given the risk averse approach adopted for the estimates process. The estimate figure included a contingency of £14m.

The total PSC for 2020-21 of £66.8m relates to the on-going litigation cases of O'Brien, Miller and McCloud. £76.8m relates to O'Brien and Miller, following receipt of additional data, less a reduction in PSC of £10m for McCloud. Further clarification provided by the MoJ response to the McCloud consultation on 25 February 2021 resulted in the reduction in PSC of £10m.

Overall, the scheme has recorded an actuarial loss of £282m for 2020-21 (£365m loss in 2019-20). The increase in pension liability of £556m is mainly due to changes in assumptions: a decrease in the nominal discount rate from 1.80% to 1.25% which has the effect of increasing liabilities, partially offset by a decrease in the assumed rate of pension increases from 2.35% p.a. to 2.22% p.a., and the decrease in the assumed rate of general pay increases from 4.10% p.a. to 3.72% p.a., both of which reduce liabilities.

The loss from changes in assumptions was partially offset by an experience gain of £78m. The actual pension increase from April 2021 will be 0.5%, compared with a future long-term assumption of 2.35% used to calculate the scheme liability as at 31 March 2020. The lower than assumed pension increase has reduced the scheme liability slightly and results in an experience gain.

Administration

The Lord Chancellor, as the scheme manager for the JPS, has delegated responsibility for the administration of the JPS to the MoJ Director of Financial Management and Control.

Xafinity Punter Southall Administration Limited (XPS), a company under registration number 9428346, was appointed in August 2014, to deliver the JPS pension administration and pensioner payroll service.

Production of this Annual Report and Accounts for the JPS is undertaken by the MoJ, drawing on management information from XPS and other relevant parties.

There are no legal advisers appointed by the Scheme. Litigation matters are administered by the MoJ, with advice from the Government Legal Department.

Key Developments in the year

Fee-paid judicial office holders' claims

In November 2018, in relation to the O'Brien No.2 litigation case, the Court of Justice of the European Union (CJEU) ruled that, in calculating the pension entitlement of eligible fee-paid judges, any continuous service prior to 7 April 2000 (the date that the Part-time Work Directive should have been transposed into domestic law) must be taken into account.

In December 2019, in relation to the Miller Litigation case, the Supreme Court ruled that the time limit for making a pension claim under the Part-time Workers Regulations runs from the date of retirement from all judicial offices. This judgment increased the number of appellants entitled to bring a claim for a fee-paid pension.

The MoJ has been working to provide pension benefits to eligible judges for fee-paid service following the Court of Justice of the European Union's judgment of 7 November 2018 in O'Brien No.2 and the Supreme Court's judgment in Miller, handed down on 16 December 2019.

During 2020-21 the MoJ consulted on proposals to amend FPJPS to remedy the position for O'Brien and Miller claimants. These would provide for scheme membership in respect of eligible fee-paid judicial service for periods preceding 7 April 2000 (provided the service continued up to or beyond that date) so that reckonable service can be accrued, and pension benefits paid, in respect of that service. They would also amend the membership criteria in FPJPS to reflect the Miller judgment.

Further work has taken place to analyse the effect of the Miller judgment and pension payments for post-2000 service which have been paid by the JPS in 2020-21.

O'Brien and Miller payments in lieu of pension for pre-2000 service cannot be paid by the JPS and will therefore continue to be paid by the MoJ and accounted for in the MoJ Annual Report and Accounts until the relevant legislation is in place, which is expected in 2023. There will be a longer-term ongoing impact on the JPS liability.

In its accounts for 2020-21, the MoJ has recognised a provision for the amounts relating to O'Brien and Miller payments due.

Transitional protection claims (McCloud)

In December 2018, the Court of Appeal ruled that the JPS 2015 transitional protection provisions were unlawful on grounds of age discrimination (McCloud). The Supreme Court issued a decision in June 2019 rejecting the government's application for permission to appeal.

In July 2020 the MoJ consulted on changes to the transitional arrangements and published its response on 25 February 2021, confirming its approach to addressing the discrimination identified in the McCloud case. Subject to parliamentary approval, it is proposed that all judges will transfer into a reformed judicial pension scheme from 1 April 2022. The proposed scheme will be in line with the Hutton principles for public service pension reform but also non-registered for tax purposes.

Judges in scope of the McCloud remedy (generally those in post on 31 March 2012 and who had more than 10 years to pension age on that date) will participate in an options exercise after the reformed scheme is introduced. This will allow them to make a retrospective choice of pension scheme membership for the period that they were accruing benefits in JPS 2015, from 1 April 2015. The choice available in the options exercise will be between the relevant pre-2015 scheme of JUPRA or FPJPS or remaining in JPS 2015.

In 2018-19, in line with the consultation on the remedy for addressing the discrimination, the accounts included a past service cost of £230m. On 16 July 2020, the government published a consultation on proposed changes which resulted in a £40m reduction in the past service cost for 2019-20 (split £21m voted, £19m non-voted). The past service costs remained substantial in 2019-20 owing to an increase of £98.75m (all voted) for the O'Brien and Miller cases.

Following the publication of the response to the consultation, the MoJ have confirmed that excess member contributions will not be refunded for years out of scope for tax adjustments, i.e. pension contributions will be preserved for out of scope years. This affects 2015-16 for claimants and 2015-16 to 2017-18 for non-claimants. As a result, a negative past service cost of £10m has been included in the accounts for 2020-21.

This McCloud movement has been offset by a £76.8m past service cost resulting from the additional data now available for the O'Brien and Miller settlements.

Further details of the valuation of the liability, the key assumptions and uncertainties are provided in notes 5 and 14.

Reformed judicial pension scheme

On 16 July 2020 the MoJ published a consultation on proposals for a reformed judicial pension scheme that, subject to the passage of necessary legislation, would apply from April 2022.

In order to equalise treatment across the judiciary, it is proposed that all judges will move into the reformed scheme. The reforms are also intended to deliver on the commitment the government made to develop a pensions-based solution to the serious recruitment and retention problems identified by the Senior Salaries Review Body (SSRB) in its Major Review of the Judicial Salary Structure, published in 2018. The proposed scheme will be in line with the Hutton principles for public service pension reform but also non-registered for tax purposes. A further consultation paper was issued on 23 July 2021 on the scheme regulations and a bill has now been introduced in Parliament: Public Service Pensions and Judicial Offices Bill [HL] - Parliamentary Bills - UK Parliament

COVID-19

The JPS has considered the impact of COVID-19 on the pension liability and on operations and administration of the pension schemes. Regarding pension liability, as outlined in the Report of the Actuary, it is too early to speculate on any potential long-term effects of the pandemic, on either future economic or salary growth, or mortality rates. At this stage no amendments have been made to the assumptions underpinning the liability.

Membership Statistics

JUPRA schemes (salaried)	Active members	Active salary link members	Deferred members	Pensioner members	Total membership
Members at 31 March 2020	901	553	41	2,597	4,092
New joiners (incl. late notifications and new joiners following McCloud judgment)	12	1			13
Transferred to active, following McCloud judgment	57	(57)			0
Members who became true deferred	(1)	(1)	2		0
Leavers entitled to deferred pension					0
Members who retired (incl. pension credit)	(122)	(7)	(2)	132	1
Members who died	(1)	(1)		(96)	(98)
New spouse and children's pensions				55	55
Pensions ceased/suspended				(2)	(2)
Other adjustments				(1)	(1)
Members at 31 March 2021	846	488	41	2,685	4,060

JPS 2015 (salaried and fee-paid)	Active members	Active salary link members	Deferred members	Pensioner members	Total membership
Members at 31 March 2020	3,996	270	30	25	4,321
New joiners (incl. late notifications)	784				784
Active members moving to salary linked	(66)	66			0
Active members reinstated to JUPRA, following McCloud judgment	(63)				(63)
Members who became true deferred	(23)	(1)	26		2
Members who retired (incl. pension credit)	(11)			9	(2)
Leavers opting out - no liability	(2)				(2)
Members who died	(1)		(1)		(2)
New spouse and children's pensions				11	11
Pensions ceased/suspended				(1)	(1)
Other adjustments	(39)	(2)		(1)	(42)
Members at 31 March 2021	4,575	333	55	43	5,006

Fee-Paid Judicial Pension Scheme 2017	Active members	Active salary link members	Deferred members	Pensioner members	Total membership
Members at 31 March 2020	1,915	2,174	238	1,416	5,743
New joiners	89				89
Members who became true deferred	(2)	(9)	11		0
Leavers entitled to deferred pension	(16)	19			3
Members who retired (incl. pension credit)	(262)	(18)	(1)	292	11
Members who died	(5)		(2)	(20)	(27)
New spouse and children's pensions				28	28
Pensions ceased/suspended				(1)	(1)
Adjustments	(21)	9	(8)	(5)	(25)
Members at 31 March 2021	1,698	2,175	238	1,710	5,821

External Audit

These financial statements have been audited by the Comptroller and Auditor General, whose opinion is expressed in the certificate and report of the Comptroller and Auditor General to the House of Commons. During the year no payment was made to the auditors for non-audit work (2019-20: £nil).

The notional cost for the audit of these financial statements in 2020-21 is £71,000 (2019-20: £51,000) and is accounted for in the MoJ Annual Report and Accounts 2020-21.

Events after the reporting period

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

The FPJPS and JPS 2015 were amended from 1 April 2021 by the Judicial Pensions (Fee-Paid Judges) (Amendment) Regulations 2021 and the Public Services Pensions Act 2013 (Judicial Offices) (Amendments etc) Regulations 2021, respectively. These regulations added specified judicial offices to the list of offices eligible for pension provision under these schemes. 14 judicial offices were added to both the FPJPS and the JPS 2015 and approximately 100 judicial office holders became eligible for membership of a judicial pension scheme as a result. Copies of the regulations can be found at:
https://www.legislation.gov.uk/ukdsi/2021/9780348219197
https://www.legislation.gov.uk/uksi/2021/36/made

The MoJ announced its intention to introduce a reformed judicial pension scheme in a consultation published on 16 July 2020. The reformed judicial pension scheme will be provided for through scheme regulations. The regulations will set out much of the detail of the scheme, such as its design features and eligibility requirements. The MoJ has published a consultation on these scheme regulations on 23 July 2021. A copy of the consultation document can be found at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1005436/jps-2022-scheme-regulations-consultation.pdf This will provide the opportunity for judges, judicial associations and any other interested parties to provide their comments and views on the specifics of the reformed scheme.

A full actuarial valuation is undertaken every four years and its purpose is to assess the pension liability in respect of the benefits due, and to recommend contribution rates payable by employees and employers. The latest actuarial valuation undertaken for the JPS was completed as at 31 March 2016. The 2016 funding valuation was also expected to test the cost of the JPS relative to the employer cost cap that was set following the 2012 valuation. In January 2019, the Government announced a pause to the cost control element of the 2016 valuations, due to the uncertainty around member benefits caused by the discrimination ruling relating to the McCloud case. A review of the employer cost cap was carried out to assess whether the cost control mechanism was working in line with original government objectives. The Government announced in July 2020 that the pause had been lifted so the cost control element of the 2016 valuations could be completed. The Government published its response to the cost control mechanism consultation on 4 October, which can found at: CCM_RESPONSE.pdf (publishing.service.gov.uk).

There were no other events between the end of the reporting period and the date the financial statements were authorised that would significantly affect these accounts.

Statement on the disclosure of relevant audit information

I confirm that so far as I am aware, there is no relevant audit information of which the auditors are unaware and that I have taken all reasonable steps to ensure that I am aware of any relevant audit information and to establish that the auditors are aware of this information**.**

Accounting Officer Confirmation

I confirm that the Annual Report and Accounts are fair, balanced and understandable and I take personal responsibility for the Annual Report and Accounts and the judgments required for determining that it is fair, balanced and understandable.

Information for Members

Managers

Accounting Officer:
Antonia Romeo, Permanent Secretary, Ministry of Justice, 102 Petty France, London, SW1H 9AJ

JPS Manager (delegated authority):
Ian Haworth, Interim Director, Financial Management and Control, Ministry of Justice, 102 Petty France, London. SW1H 9AJ.

Administrators & Advisers

Pension Administrators:
Xafinity Punter Southall Administration Ltd
Registered Office: Phoenix House, 1 Station Hill, Reading, RG1 1NB

Scheme Actuary:
Government Actuary's Department, Finlaison House, 15-17 Furnival Street, London EC4A 1AB.

Bankers:
The Government Banking Service, Southern House, 7^{th} Floor, Wellesley Grove, Croydon, CR9 1WW

Providers of external Additional Voluntary Contributions:
Prudential Plc - Laurence Pountney Hill, London EC4R 0HH
Utmost Life and Pensions Ltd – Walton Street, Aylesbury, Bucks, HP21 7QW

Auditors

Comptroller and Auditor General, National Audit Office, 157-197 Buckingham Palace Road, London SW1W 9SP

Appointing or Administering Bodies

As at 31 March 2021 the following bodies participated in the JPS:

- Her Majesty's Courts and Tribunals Service
- Competition Appeal Tribunal
- Northern Ireland Courts and Tribunals Service
- Scottish Government
- Corporation of London
- Department for Communities and Local Government for the Valuation Tribunal Service
- Welsh Government

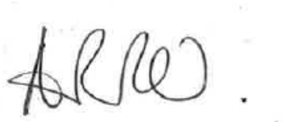
Further Information

Any enquiries about the JPS should be addressed to judicialpensions@justice.gov.uk, or by post to

Judicial Pensions Scheme
Pensions Operations Team
Third Floor
10 South Colonnade
Canary Wharf
London E14 4PU

Resource Accounts from 2004-05 onwards can be found within the House of Commons Papers sections, or via the search function, at:

www.official-documents.gov.uk/menu/browseDocuments.htm



Antonia Romeo
Accounting Officer

Date: 9 December 2021

REPORT OF THE ACTUARY

Introduction

This statement has been prepared by the Government Actuary's Department (GAD) at the request of the Ministry of Justice (MoJ). It provides a summary of GAD's assessment of the scheme liability in respect of the Judicial Pension Scheme (JPS) as at 31 March 2021, and the movement in the scheme liability over the year 2020-21, prepared in accordance with the requirements of Chapter 9 of the 2020-21 version of the Financial Reporting Manual. This statement relates to all of:

- The 1993 scheme (JUPRA) and earlier final salary schemes
- The 2015 scheme (the New Judicial Pension Scheme or NJPS), and
- The 2017 scheme (Fee Paid Judicial Pension Scheme or FPJPS)

This statement also takes account of the JPS liabilities arising as a result of judgments relating to the O'Brien (Year 2000 point) and Miller.

The JPS is a defined benefit scheme providing pension and lump sum benefits on retirement, death and resignation. The scheme is wholly unfunded. I am not aware of any informal practices operated within the scheme which lead to a constructive obligation.

The principal assessment has been carried out by calculating the liability as at 31 March 2016 (1993 and earlier schemes, 2015 scheme) and 31 March 2017 (2017 scheme) based on the data provided as at 31 March 2016 and 31 March 2017 and rolling forward that liability to 31 March 2021. Additional data has been provided by MoJ to estimate the O'Brien and Miller liabilities.

Membership data

Tables A to E summarise the principal membership data as at 31 March 2016 and 31 March 2017 used to prepare this statement.

Table A – Active members as at 31 March 2016 (1981, 1993 and 2015 schemes)

	Number of members	Total pensionable pay* (p.a.) £m
Males	2,359	199
Females	1,471	87
Total	3,830	286

* Pensionable pay is the actual (rather than FTE) figure.

Table B – Deferred members as at 31 March 2016 (1981, 1993 and 2015 schemes)

	Number of members	Total deferred pension* (p.a.) £m
Males	18	0.4
Females	20	0.3
Total	38	0.7

* Pension amounts include the pension increase granted in April 2016.

Table C – Pensions in payment as at 31 March 2016 (1981, 1993 and 2015 schemes)

	Number of members	Annual pension* (p.a.) £m
Males	1,446	83.0
Females	740	23.2
Total	2,186	106.2

* Pension amounts include the pension increase granted in April 2016.

Table D – Active members as at 31 March 2017 (2017 scheme)

	Number of members	Total pensionable pay* (p.a.) £m
Males	3,039	45.4
Females	1,559	23.0
Total	4,598	68.5

* Pensionable pay is the actual (rather than FTE) figure.

Table E – Pensions in payment as at 31 March 2017 (2017 scheme)

	Number of members	Annual pension* (p.a.) £m
Males	762	5.3
Females	168	1.4
Total	930	6.7

* Pension amounts include the pension increase granted in April 2017.

Methodology

The present value of the liabilities as at 31 March 2021 has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the demographic and financial assumptions applying as at 31 March 2021. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2021 was determined using the PUCM and the demographic and financial assumptions applicable at the start of the year, that is, those adopted as at 31 March 2020 in the 2019-20 accounts.

MoJ has informed GAD that the majority of the judges who are affected by the O'Brien and Miller judgement have been identified, even though some of the data available is limited and incomplete. MoJ has asked GAD to produce the liability estimates in the understanding of this limitation and incompleteness in the data. We have calculated the O'Brien and Miller liabilities for 1,554 member records based on individual member data (often incomplete data) and extrapolated to the remaining 3,636 records (ie 70% of the total 5,190 member records in scope).

This statement takes into account the benefits normally provided under the scheme, including age retirement benefits, ill-health retirement benefits and benefits applicable following the death of the member. It does not include the cost of injury benefits (in excess of ill-health benefits). It does not include premature retirement and redundancy benefits in respect of current active members, although the assessment of liabilities includes pensions already in payment in respect of such cases.

Financial assumptions

The principal financial assumptions adopted to prepare this statement are shown in Table F.

Table F – Principal financial assumptions

Assumption	31 March 2021 p.a.	31 March 2020 p.a.
Nominal discount rate	1.25%	1.80%
Rate of increase in pensions in payment and deferred pensions (assuming CPI inflation)	2.22%	2.35%
Rate of general pay increases	3.72%	4.10%
Rate of short-term general pay increase	n/a	n/a
Real discount rate in excess of:		
• CPI inflation	(0.95%)	(0.5%)
• Long–term pay increases	(2.38%)	(2.2%)
Expected return on assets	n/a	n/a

The assessment of the liabilities allows for the known pension increases up to and including April 2021.

Demographic assumptions

Table G summarises the mortality assumptions adopted to prepare this statement, which were derived from the specific experience of the scheme membership, and other relevant sources. The table refers to the standard mortality tables prepared by the Continuous Mortality Investigation (part of the Actuarial Profession) known as the 'S2 tables' with the percentage adjustments to those tables derived from scheme experience.

Table G – Post-retirement mortality assumptions

Baseline mortality	Standard table[1]	Adjustment
Males	S2NMA_L	92%
Females	S2NFA	80%

The assumptions in Table G above are the same as those adopted for the 31 March 2016 funding valuation of the scheme and the accounts as at 31 March 2020.

Mortality improvements are assumed to be in line with the latest 2018-based projections for the United Kingdom published by the ONS in October 2019. This is the same assumption as that used for the 2019-20 accounts.

The other demographic assumptions, such as for commutation and family statistics, are unchanged from the 2019-20 accounts.

Liabilities

Table H summarises the assessed value as at 31 March 2021 of benefits accrued under the scheme prior to this date based on the data, methodology and assumptions described in paragraphs 4 to 12. The corresponding figures for the previous year are shown for comparison. The liabilities at 31 March 2020 and 2021 both include an allowance for O'Brien and Miller as well as the higher cost of benefits accruing under McCloud.

Table H – Statement of Financial Position

	31 March 2021 £ million	31 March 2020 £ million (restated)
Total market value of assets	nil	nil
Value of liabilities	6,308	5,752
Surplus/(Deficit)	(6,308)	(5,752)
of which recoverable by employers	n/a	n/a

Accruing costs

The cost of benefits accrued in the year ended 31 March 2021 (the current service cost) is assessed as 77.3% of pensionable pay.

[1] From the 'S2' series of standard tables published by the CMI and based on the experience of self-administered pension schemes. Separate tables are available based on experience of members retiring in normal and ill-health and for dependants.

For the avoidance of doubt, the actual rate of contributions payable by employers and employees is not the same as the current service cost assessed for the accounts. Members contributed between 2.8% and 8.1% of pensionable pay, depending on the level of their pay. The actual employer contribution rate was determined as part of a funding valuation using different assumptions. Table I shows the employer and employee contributions during the year 2020-21 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2020-21 accounts.

Table I – Contribution rate

	2020-21 % of pay	**2019-20 % of pay**
Employer contributions ([2])	51.1%	51.1%
Employee contributions (average)	5.8%	5.7%
Total contributions	**56.9%**	**56.8%**
Current service cost (expressed as a % of pay)	**77.3%**	**71.2%**

The key difference between the assumptions used for funding valuations and accounts is the discount rate, although price inflation and salary increases are also determined differently and the assumption for future improvements in life expectancy has been updated. The discount rate for accounts is set each year by HM Treasury to reflect the requirements of the accounting standard IAS 19.

The pensionable payroll for the financial year 2020-21 was £356 million (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2020-21 (at 77.3% of pay) is assessed to be £275 million. This includes an allowance for the higher cost of benefits accruing over the year under McCloud.

The current service cost of £275 million can be split as follows:

- Higher Judiciary: £132 million (48%)
- Lower Judiciary: £143 million (52%)

[2] In addition, employers contributed 0.25% of pay in respect of expenses.

Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. MoJ consultation of 16 July 2020 suggested that member contributions will be rectified for the years which fall within the remedy period. Therefore, an allowance was made in the JPS accounts as at 31 March 2020 to account for excess member contributions to be refunded. MoJ published their response to the consultation on 25 February 2021 which confirmed that excess member contributions will not be refunded for years out of scope for tax adjustments, i.e. pension contributions will be preserved for out of scope years. This change in policy means that there will not be any refund of contributions for 2015-16 for claimants and 2015-16 to 2017-18 for non-claimants. We estimate the value of this refund to be £10 million and as agreed with MoJ has treated this as a negative past service cost in this report. In addition, a past service cost has been recognised in respect of the O'Brien and Miller liabilities reflecting the new data on these liabilities that has emerged since the accounts as at 31 March 2020 were signed, less payments in lieu made or provided for by MoJ. I am not aware of any other events that have led to a material past service cost over 2020-21.

I am not aware of any events that have led to a material settlement or curtailment gain or loss over 2020-21.

Sensitivity analysis

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty I have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2021 of changes to the most significant actuarial assumptions.

The most significant financial assumptions are the discount rate, general earning increases and pension increases (currently based on CPI). A key demographic assumption is pensioner mortality.

Table J shows the indicative effects on the total liability as at 31 March 2021 of changes to these assumptions (rounded to the nearest 0.5%).

Table J – Sensitivity to significant assumptions

Change in assumption		Approximate effect on total liability	
Financial assumptions			
(i) discount rate*:	+0.5% p.a.	- 7.5%	- £473 million
(ii) (long-term) earnings increase*:	+0.5% p.a.	+ 1.5%	+ £95 million
(iii) pension increases*:	+0.5% p.a.	+ 5.0%	+ £315 million
Demographic assumptions			
(iv) additional 1 year increase in life expectancy at retirement		+ 4.5%	+ £284 million

* Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

Covid-19 implications

As with the accounts last year, the 2020-21 Resource Accounts are being produced when the UK continues to deal with the Covid-19 pandemic. I have considered the potential implications of how this pandemic could impact on the actuarial calculations required for the Resource Accounts.

The assumptions for the discount rate and pension increases are specified by HM Treasury in the PES (2020) 12 Revised, dated 18 December 2020, and remain unchanged for these accounts. The PES assumptions reflect market conditions at the previous 30 November and are typically not amended for any changes between November and the accounting date.

The long-term salary assumption is set by MoJ, having taken actuarial advice, and is intended to be an average over the future careers of scheme members, with a recognition that increases in any particular year may be lower or higher than the assumption. The assumption allows for a reduction in our view of the long-term salary increases as well as lower short-term forecasts from the Office for Budget Responsibility.

The current population mortality projections make no specific allowance for the impact of Covid-19 or any other pandemics. The starting rates of mortality improvement are based on projections of past trends in UK mortality and the effects of past pandemics will already be reflected in these trends. In general, the effects of pandemics on mortality rates are usually expected to be short term, with rates going back to what they would have been before the pandemic after a year or two, unless the pandemic remains over several years. My view is that it remains too early in the pandemic to determine whether Covid-19 changes the long-term view of life expectancy in the UK. It is therefore not unreasonable to retain the existing mortality assumptions. A death rate from Covid-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain over the next year's accounts.

Michael Scanlon FIA
Deputy Chief Actuary
Government Actuary's Department
27 September 2021

STATEMENT OF THE ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Judicial Pensions Scheme (JPS) to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the JPS and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

The financial statements are required to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities that govern them. In addition, the financial statements must be prepared so as to ensure that the contributions payable to the JPS during the year have been paid in accordance with the JPS rules and the recommendations of the actuary.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and, in particular, to:

- observe the accounts direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgments and estimates on a reasonable basis
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual (FReM), have been followed and disclose and explain any material departures in the financial statements
- prepare the accounts on a going concern basis

HM Treasury has appointed the Permanent Secretary of the Ministry of Justice as Accounting Officer for the JPS. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the JPS are set out in Managing Public Money, published by HM Treasury.

Statement on the disclosure of relevant audit information

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that JPS' auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

GOVERNANCE STATEMENT

Scope of Responsibility

As the Permanent Secretary of the MoJ, I am the Accounting Officer for the Judicial Pensions Schemes (JPS).

It is my responsibility to ensure that the JPS have effective governance arrangements in place; these are described below. I am also responsible for ensuring that the system of internal control supports the achievement of policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with HM Treasury Managing Public Money.

As the Accounting Officer for the MoJ, I work with ministers and senior MoJ management through the departmental board to implement the MoJ's plans, allocate resources and delegate financial authority to senior staff.

The Lord Chancellor is the responsible authority for the JPS, and as such, may make scheme regulations. In addition to this, the Lord Chancellor is the scheme manager, and is responsible for the management and administration of the JPS. The Lord Chancellor has delegated responsibility for the administrative and operational activities of the JPS to the MoJ Director of Financial Management and Control, who is supported in this role by the pensions operations team under the authority of the Chief Financial Officer.

Purpose of the Governance Arrangements

The governance arrangements are designed to ensure that JPS outcomes are delivered and associated risks are managed to a reasonable level and in line with the JPS regulations. Overall, the governance arrangements are intended to ensure agreed policies and processes comply with requirements. The governance arrangements are designed to provide reasonable and not absolute assurance of effectiveness, drawing upon an ongoing process designed to:

- identify and prioritise the risks to the achievement of JPS policies, aims and objectives
- evaluate the likelihood of those risks being realised and the impact should they be realised
- manage them efficiently, effectively and economically

In particular, governance arrangements are designed to safeguard against fraud and to minimise omissions and material errors in the payment of benefits and the receipt of contributions from appointing bodies and JPS members.

The governance arrangements were in place for the JPS throughout the year ended 31 March 2021 and continued to the date of approval of the Annual Report in accordance with HM Treasury guidance.

Governance Framework

As Accounting Officer, I am supported by the following boards and committees:

- Judicial Pension Board (JPB)
- Judicial Pension Board Administration Committee (JPBAC)
- Judicial Pension Scheme Advisory Board (JPSAB)
- Judicial Pension Board Dispute Resolution Committee (JPBDRC)
- Judicial Pension Scheme Finance Committee (JPSFC)

Each of these is described below.

In addition, the following board and committees support the overall governance, escalation and assurance process for the JPS:

- The Departmental Board
- The Executive Committee
- MoJ Audit and Risk Assurance Committee

Internal audit and assurance are provided by the Government Internal Audit Agency (GIAA).

Judicial Pension Board (JPB)

The JPB assists the scheme manager in securing compliance with JPS regulations and other legislation relating to the governance and administration of the JPS, including the requirements of the Pensions Regulator and other regulatory bodies.

Membership of the JPB includes the independent chair, three independent non-executive board members, four employer members and four judicial representatives including one from either the Scottish Government or the Department of Justice (Northern Ireland).

The JPB exercises its responsibilities in relation to all the JPS as set out in its terms of reference. The JPB terms of reference can be viewed at: https://www.gov.uk/guidance/judicial-pension-board-terms-of-reference.

The JPB has oversight of a range of areas including:

- assurance and governance of the administration of the JPS
- performance of the third-party scheme administrator, XPS
- effectiveness and value for money of the administration of the JPS
- internal control procedures, contributing to the planning of risk management and audit programmes
- considering appeals, complaints and providing the scheme manager with recommendations under the Internal Disputes Resolution Procedure
- providing recommendations to the scheme manager in respect of the exercising of any discretionary decisions under the Judicial Pension Regulations 2015

The JPB sits quarterly with a minimum of five members, including two members from the employer and scheme membership which are required to form a quorum. A conflict of interest was declared during the year and was minuted in the June and March meetings. However, the chair advised these were routine conflicts associated with the membership of a normal scheme and were not causes for concern. Attendance at the meetings is shown below. The JPB met on the following dates during the year under review:

- 5 June 2020
- 11 September 2020
- 4 December 2020
- 3 March 2021

The JPB provides an annual report to the scheme manager to provide assurance that the board has fulfilled its roles and responsibilities. Information about the JPB is published on the internet at: https://www.gov.uk/government/groups/judicial-pension-board

The performance of JPB members is evaluated on an annual basis to ensure that all members are adequately meeting their duties. This is undertaken by the independent chair, supported by the pensions operations team.

The Northern Ireland Judicial Pension Board (NIJPB) has scope over the devolved judiciary in Northern Ireland. Under administrative arrangement with the MoJ, devolved members of JPS who are managed by the MoJ on a UK wide basis, will fall within scope of the MoJ for the purposes of scheme management. Therefore, scheme management falls to the JPB, not the NIJPB. NIJPB produce their own accounts.

The table below shows the attendance at those meetings taking place between 1 April 2020 and 31 March 2021.

Members	JPB
Independent Chair	
Jill Youds	4 of 4
Independent Members	
Russell Agius	3 of 4
Susan Andrews	3 of 4
Ellen Kelleher	4 of 4
Judicial Members	
His Honour Judge David Cooke	3 of 4
Mr Justice Tim Fancourt	3 of 4
Professor Stephen Hardy	3 of 4
Honourable Lady Morag Wise	4 of 4
Employer Members	
Jason Latham	3 of 4
Peter Luney	4 of 4
Sarah Wallace	3 of 4
Henry Young	4 of 4

JPB members receive training to enable them to perform their role as Board members.

The Judicial Pension Board Administration Committee (JPBAC)

The JPBAC oversees and reviews arrangements relating to the administration of the JPS including operational processes. The JPBAC is supported by the MoJ in relation to JPS operational matters. JPBAC meets regularly to discuss operational issues in more detail with the pensions operations team and representatives from XPS. During 2020-21 the JPBAC met on the following dates:

- 20 May 2020
- 4 September 2020
- 10 November 2020
- 2 February 2021

In the year under review JPBAC members attended the following number of meetings:

- Ellen Kelleher (Chair) – 4 of 4
- Susan Andrews – 3 of 4
- Jill Youds – 4 of 4

The JPBAC terms of reference can be viewed at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/833193/jpb-admin-comm-tor.pdf

The Judicial Pension Scheme Advisory Board (JPSAB)

The JPSAB advises the Lord Chancellor on the desirability of making changes to the JPS. JPSAB meets at the request of the Lord Chancellor. During the year under review there were no meetings of the JPSAB.

The JPSAB terms of reference can be viewed at: https://www.gov.uk/guidance/judicial-pension-scheme-advisory-board-terms-of-reference

Judicial Pension Board Dispute Resolution Committee (JPBDRC)

The JPBDRC supports the JPB in the settlement of claims under the JPS Internal Dispute Resolution Procedure and receives referrals under the Judicial Pensions (Appeals) Regulations 1995.

The JPBDRC is comprised of an independent chair, one independent member, one employer member and one member representative. Any JPB member may sit on the JPBDRC provided the JPBDRC is quorate.

The JPBDRC met on the following dates during the year under review:

- 11 May 2020
- 12 August 2020

The JPBDRC terms of reference can be viewed at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/833194/jpb-dispute-resol-comm-tor.pdf

The Judicial Pension Scheme Finance Committee (JPSFC)

The JPSFC is responsible for the financial governance of the JPS and is chaired by the Deputy Director, Financial Reporting, Transactions and Governance. The JPSFC is supported by two advisors and six members from the MoJ.

The role and responsibilities of JPSFC includes providing:

- assurance to the scheme manager, Permanent Secretary and Accounting Officer by providing oversight of the financial functions and internal controls of the JPS as well as approval of this Governance Statement

- a formal review and approval forum for key financial activities including the scheme estimate and oversight of the budget for scheme administration

- oversight of the financial impact and latest position of relevant litigation upon the scheme accounts and estimates

- managing financial risk by using the risk register to challenge the reported impact and likelihood of each risk and the controls to mitigate these risks

- escalation of significant issues to the MoJ departmental board and the executive committee of the board

The chair and one other JPSFC member also sit on the JPB, providing a direct link between the JPB and the JPSFC.

The committee meets formally as required. The JPSFC met on the following dates in the year under review:

- 25 November 2020
- 11 March 2021

MoJ Audit and Risk Assurance Committee

The MoJ Audit and Risk Assurance Committee is chaired by Paul Smith, an independent non-executive member of the departmental board. The committee is comprised of the chair, two other non-executive directors, the Chief Financial Officer and the Permanent Secretary.

The committee receives reports and updates from the National Audit Office and the Government Internal Audit Agency. The committee has reviewed the Scheme’s Annual Report and Accounts which includes the Annual Governance Statement as required by HM Treasury’s Managing Public Money Annex 3.1.

Executive Committee

The Executive Committee is the senior executive leadership team for the MoJ and supports the Permanent Secretary in their duties as the department’s Principal Accounting Officer. ExCo’s remit is to:

- ensure the department is fully aligned with the strategic direction set by the Secretary of State and has the capability to deliver this
- oversee the delivery of Ministers' priorities and the activities and outcomes associated with these
- take a balanced view of the department's approach to managing opportunity and risk
- prioritise and allocate financial and other resources
- provide assurance that internal controls operate properly
- provide support and assurance for major policies and projects
- develop and promote the department's culture, values, and approach to diversity and inclusion

In December 2020, the Executive Committee was provided with an update on judicial pensions covering pension reform, the various pieces of litigation and the challenges with the administration. The committee agreed to increase the governance on the pension administration contract given the scale of additional work coming over the next couple of years.

Referral to The Pensions Regulator (TPR)

In line with the TPR Code of Practice No 14, the JPB submits reports to TPR where material breaches of law occur.

In December 2020 a breach of law report was submitted in respect of a failure to provide Annual Benefit Statements and Pension Savings Statements to all eligible members by the relevant deadlines. TPR took no further action in respect of this breach. The scheme administrators, XPS, have undertaken to commit sufficient resources to prevent this happening in future.

Pension and payroll administration

The pensions operations team manage and monitor the performance of XPS under the contract, working with the MoJ Commercial & Contract Management Directorate and JPB to strengthen and develop the core contract management function and support the strategic operations of the JPS administrator.

Corporate Governance Code

The scheme complies with HM Treasury's Corporate Governance Code as far as it is applicable and achieves transparent and effective governance through the work of the bodies listed above.

Whistleblowing

Whistleblowing is covered in the JPB's policy on reporting breaches of the law. There were no whistleblowing reports during the year.

Risk Assessment and Management

The MoJ Risk Management Strategy, Policy and Framework document sets out the MoJ's attitude to risk in the achievement of its objectives. This provides guidance on the process of identifying, assessing and managing risk.

Risks to the JPS's objectives are identified and analysed and recorded in a risk register, which is regularly reviewed by the JPB and JPBAC. The risk register covers issues such as operational risk, administrative issues, third party contracts, data quality, data protection, technological change and the effects of implementing litigation outcomes.

In accordance with the risk and control framework, the JPS is included within the MoJ Annual Internal Audit Plan.

The GIAA as part of the agreed 2020-21 annual audit programme carried out an internal audit of the framework of governance and risk management of XPS' performance. Its report, issued in May 2021, recognised recent steps taken by MoJ and XPS to address poor XPS performance and reduce a backlog of outstanding cases including through establishment of a central governance and decision-making body and an increase in pensions operations team resource, including recruitment of a dedicated Deputy Director for Pensions Operations.

Overall, however, GIAA provided a 'limited' opinion, identifying a number of processes in relation to governance and performance monitoring that require attention. The pensions operation team agreed a management action plan in response and all audit recommendations have been implemented.

As part of its operational assurance process, MoJ and JPBAC review in detail the independent audit of XPS undertaken in accordance with the framework for pension administration services set out in the appropriate technical release of the Audit and Assurance Faculty of the Institute of Chartered Accountants in England and Wales (ICAEW) (AAF 01/06). The XPS AAF Report is independently audited by KPMG and their latest report provided a 'qualified' opinion. The qualification was a result of XPS not being able to evidence a control for a short period during the transition process to XPS's networks. Post- transition to 31 December 2019, KPMG confirmed the control was operating as it should.

The JPS continues to comply with the requirements of the General Data Protection Regulation having aligned its procedures with those of the MoJ.

There were no ministerial directions given and no personal data-related incidents reported to the Information Commissioner's Office during 2020-21.

Significant Risks and Issues

The following summarises the most significant risks and issues affecting the scheme at the end of 2020-21:

Fee-paid judicial office holders' claims

Regulations will be introduced to provide for membership of FPJPS in respect of eligible fee-paid judicial service for periods preceding 7 April 2000 (provided the service continued up to or beyond that date) so that reckonable service can be accrued, and pension benefits paid, in respect of that service. Significant resources have been put in place to ensure that accurate data is available to calculate pension benefits in relation to this historic service.

Remedying the discrimination identified in McCloud

JPS 2015 scheme members and others affected by the unlawful transitional protection arrangements will be offered a choice of schemes to remedy the discrimination. Providing the information necessary to allow those in scope of the exercise to make an informed decision will require significant resources. In particular, the data in relation to fee-paid service will have to be converted from earnings to sittings days to reflect the difference in how pension entitlement is calculated between JPS 2015 and FPJPS.

Introducing a reformed judicial pension scheme

A new judicial pension scheme will be introduced, subject to the passage of the necessary legislation, from April 2022. This will require effective communication of the changes to those who will be eligible to join the scheme. There will also be a need to manage the impact on the scheme administrator and others.

Covid-19 pandemic

The Covid-19 pandemic presents a significant challenge for the effective running of the scheme. The pensions operations team and Scheme administrator continue to implement actions to ensure the ongoing delivery of services. Specific contingencies have been developed to manage the risks associated with Covid-19.

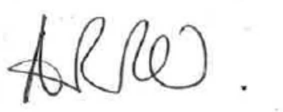
Review of Effectiveness

As Accounting Officer, I am responsible for ensuring there is an effective process in place for monitoring and reporting governance issues during the year. I am supported by the delegated scheme manager who has responsibility for supporting the development and maintenance of the governance framework and has provided me with assurance to prepare this governance statement. The delegated scheme manager is supported by the Judicial Pensions Board. The Board assists in ensuring the JPS complies with regulations and securing compliance with the requirements of the Pensions Regulator and has oversight on behalf of scheme manager in internal control procedures; contributing to the planning of risk management and audit programmes, as well as making and reviewing progress on recommendations as appropriate. Independent assurance also comes from both external and internal auditors.

Conclusion

Based on the information and assurance I have been given, I am satisfied that the governance, risk management and assurance arrangements in place are fit for purpose in supporting the JPS.

This Statement applies to the JPS only. The Governance Statement for the MoJ as a whole will be available as part of the MoJ Annual Report and Accounts for 2020-21, which are published on the MoJ website.



Antonia Romeo
Accounting Officer

Date: 9 December 2021

PARLIAMENTARY ACCOUNTABILITY

Statement of Outturn against Parliamentary Supply (Audited)

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) also requires the JPS to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes. The SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SOPS is a key accountability statement that shows, in detail, how an entity has spent against their supply estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund), that Parliament give statutory authority for entities to utilise. The estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their supply estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SOPS mirrors the supply estimate, published on GOV.UK, to enable comparability between what Parliament approves and the final outturn.

The SOPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on a accruals basis and so outturn won’t exactly tie to cash spent) and administration.

The supporting notes detail the following: net outturn (note 1), a reconciliation of outturn to net cash requirement (note 2) and an analysis of income payable to the Consolidated Fund (note 3).

The total resource outturn in SOPS 1 is the same as the net operating expenditure in the Statement of Comprehensive Net Expenditure, therefore no reconciliation is required.

The financial review, in the Report of the Managers, provides a summarised discussion of outturn against estimate.

Summary of Resource and Capital Outturn 2020-21

		2020-21 Estimate			2020-21 Outturn			2020-21	2019-20 Outturn
	Note	***Voted***	*Non-Voted*	*TOTAL*	***Voted***	*Non-Voted*	*TOTAL*	***Voted outturn compared with Estimate: saving/ (excess)***	*TOTAL*
		£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**	£'000
Departmental Expenditure Limit									
- Resource		-	-	-	-	-	-	-	-
- Capital		-	-	-	-	-	-	-	-
Annually Managed Expenditure - Resource	SOPS 1	**171,640**	139,590	311,230	**114,871**	132,000	246,871	**56,769**	252,030
- Capital		-	-	-	-	-	-	-	-
Total Budget		**171,640**	139,590	311,230	**114,871**	132,000	246,871	**56,769**	252,030
Non-Budget									
- Resource									
Total		**171,640**	139,590	311,230	**114,871**	132,000	246,871	**56,769**	**252,030**
Total Resource		**171,640**	139,590	311,230	**114,871**	132,000	246,871	**56,769**	252,030
Total Capital		-	-	-	-	-	-	-	-
Total		**171,640**	**139,590**	**311,230**	**114,871**	**132,000**	**246,871**	**56,769**	**252,030**

Net cash requirement 2020-21

	Note	2020-21 Estimate	2020-21 Outturn	2020-21	Restated 2019-20 Outturn
				Outturn compared with Estimate: saving/ (excess)	
		£'000	**£'000**	£'000	£'000
Net cash requirement	SOPS 2	**(97,770)**	**(112,369)**	**14,599**	**(119,556)**

Administration costs 2020-21

	Note	2020-21 Estimate	2020-21 Outturn	2019-20 Outturn
		£'000	**£'000**	£'000
Administration costs		-	-	-

Figures in the areas outlined in bold are voted totals or other totals subject to Parliamentary control. Estimate figures are from the supplementary estimate. Explanations of variances between estimate and outturn are given in the Report of the Managers and in SOPS note 1.

Notes to the Statement of Outturn against Parliamentary Supply for the year ended 31 March 2021 (Audited)

SoPS 1. Net outturn

	2020-21										2019-20 Outturn
	Outturn							Estimate			
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Judicial Pension Scheme - Annually Managed Expenditure:											
Voted	-	-	-	324,621	(209,750)	114,871	114,871	171,640	56,769	56,769	149,030
Non-voted	-	-	-	132,000	-	132,000	132,000	139,590	7,590	7,590	103,000
Total	**-**	**-**	**-**	**456,621**	**(209,750)**	**246,871**	**246,871**	**311,230**	**64,359**	**64,359**	**252,030**

The non-voted expenditure is for the current service costs of higher judiciary judges, paid directly from the Consolidated Fund and not from Parliamentary Supply.

Overall, in 2020-21 voted expenditure for the JPS was £57m less than the budgeted amount within the supplementary estimate. The main reasons for this were:

- a budgeted amount of £100m for potential increases to liabilities less the past service cost of £67m relating to O'Brien, Miller and McCloud, resulting in £33m budgeted for but not required due to potential liabilities from on-going litigation cases not occurring
- a reduction of £14m in current service costs, i.e. the accruing cost of pensions in the year, which is driven by variations in the pensionable payroll
- an increase of £10m in income received from pension contributions compared to the forecast

SoPS 2. Reconciliation of Net Resource Outturn to Net Cash Requirement

		2020-21	2020-21	2020-21	Restated 2019-20
				Net Total Outturn compared with estimate: saving/	
		Estimate	Outturn	(excess)	
	Note	£'000	£'000	£'000	£'000
Resource outturn		311,230	246,871	64,359	252,030
Accruals adjustments					
Non-cash items – Current Service, Past Service and Interest costs		(403,000)	(445,773)	42,773	(358,000)
Non-cash items – Contributions receivable directly by the Consolidated Fund		-	(302)	302	(208)
Non-cash items – Income attributable to Judiciary at the Corporation of London		-	195	(195)	159
Changes in working capital					
Increase/(decrease) in receivables		-	3,380	(3,381)	5,646
(Increase)/decrease in payables		-	(2,923)	2,923	2,203
Enhancements and transfers in		-	(6,419)	6,419	(3,967)
Movements in provisions					
Provisions	14a	(100,000)	-	(100,000)	(98,750)
Use of pension provision		94,000	92,600	1,399	81,331
Net cash requirement		**(97,770)**	**(112,369)**	**14,599**	**(119,556)**

As noted in the introduction in the SOPS above, outturn and the estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource outturn to the net cash requirement.

There is a negative cash requirement because contributions collected (in relation to all judiciary) exceed the amount of pension benefits payable from the scheme in the year (which relate to lower judiciary only).

The 2019-20 comparative has been restated. This was caused by a significant number of lump sums not being accounted for in the relevant year. See note 2.20 for further details.

SoPS 3. Analysis of Income payable to the Consolidated Fund

In addition to income retained by the Consolidated Fund, the following income relates to the JPS and is payable to the Consolidated Fund (cash receipts shown in italics).

	2020-21 Outturn		**2019-20 Outturn**	
	Income £'000	*Receipts £'000*	Income £'000	*Receipts £'000*
Excess cash receipts surrenderable to the Consolidated Fund	112,369	*112,369*	119,556	*119,556*
Total income payable to the Consolidated Fund	**112,369**	*112,369*	**119,556**	*119,556*

PARLIAMENTARY ACCOUNTABILITY DISCLOSURES

Regularity of expenditure (Audited)

The following two sections are included to satisfy parliamentary reporting and accountability requirements and are subject to audit.

Losses and special payments

There are no losses or special payments.

Remote contingent liabilities

There are no material remote contingent liabilities.

Antonia Romeo
Accounting Officer

Date: 9 December 2021

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Opinion on financial statements

I certify that I have audited the financial statements of the Judicial Pension Scheme ("the Scheme") for the year ended 31 March 2021 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Parliamentary Accountability Disclosures that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Scheme's affairs as at 31 March 2021 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2021 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), Practice Note 15 (revised) 'The Audit of Occupational Pension Schemes in the United Kingdom' and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Scheme in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Scheme's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Scheme is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report but does not include the parts of the Parliamentary Accountability Disclosures described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Parliamentary Accountability Disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Report of the Managers and the Report of the Actuary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Parliamentary Accountability Disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of the Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Scheme will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Scheme's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Scheme's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Scheme's controls relating to the Judicial Pensions Act 1981, the Judicial Pensions and Retirement Act 1993, the Judicial Pensions Regulations 2015, the Judicial Pensions (Fee-Paid Judges) Regulations 2017, the Public Service Pensions Act 2013, the Government Resources and Accounts Act 2000, Supply and Appropriation (Main Estimates) Act 2020 and Managing Public Money;
- discussing among the engagement team and involving relevant internal and external specialists, including actuarial specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals, significant or unusual transactions, and selection of inappropriate methodology or assumptions underpinning the pension liability and related estimates;
- obtaining an understanding of the Scheme's framework of authority as well as other legal and regulatory frameworks that the Scheme operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Scheme. The key laws and regulations I considered in this context included the Judicial Pensions Act 1981, the Judicial Pensions and Retirement Act 1993, the Judicial Pensions Regulations 2015, the Judicial Pensions (Fee-Paid Judges) Regulations 2017, the Public Service Pensions Act 2013, the Government Resources and Accounts Act 2000, Supply and Appropriation (Main Estimates) Act 2020, Managing Public Money, tax Legislation and the regulations set by the Pensions Regulator; and

- obtaining an understanding of the control environment in place at the Scheme, the administrator and the scheme actuary, in respect of membership data, the pension liability, contributions due and benefits payable.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit and Risk Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- performing substantive testing of contributions received and benefits paid in the year to ensure compliance with laws, and regulations and regularity;
- engaging an auditor's expert to review the actuarial methods and assumptions used by the scheme actuary, reviewing the expert's report and undertaking any further procedures as necessary; and
- reviewing any significant correspondence with the Pensions Regulator.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies **Date: 9 December 2021**

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

FINANCIAL STATEMENTS

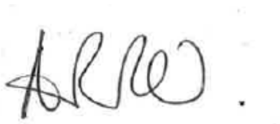
Statement of Comprehensive Net Expenditure for the Year Ended 31 March 2021

		2020-21		2019-20	
	Note	£'000	£'000	£'000	£'000
Income					
Contributions receivable	3	(204,369)		(208,032)	
Other pension income	4	(891)		(907)	
Transfers in	7	(4,731)		(2,114)	
Transfers out	14g	241		-	
			(209,750)		(211,053)
Expenditure					
Current service cost	5	275,000		259,000	
Past service cost	5	66,772		58,750	
Pension financing cost	8	104,000		139,000	
Enhancements, transfers in & transfers out	6, 7 &14g	6,419		3,967	
Payment to HMRC for JPS 2015 Scheme		3,539		1,459	
Administration expenses	9	891		907	
			456,621		463,083
Net Expenditure			**246,871**		**252,030**
Other Comprehensive Net Expenditure					
Recognised gains and losses for the financial year:					
Other actuarial re-measurement	14h		282,000		365,000
Total Comprehensive Net Expenditure for the year ended 31 March 2021			**528,871**		**617,030**

The notes on pages 46 to 65 form part of these accounts

Statement of Financial Position
as at 31 March 2021

				Restated		Restated	
		31 March 2021		31 March 2020		1 April 2019	
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Current Assets							
Receivables	11	21,611		18,232		12,586	
Cash and cash equivalents	12	43,634		33,671		24,601	
Total current assets			65,245		51,903		37,187
Current Liabilities:							
Payables (within 12 months)	13	(54,059)		(41,174)		(34,309)	
Total current liabilities			(54,059)		(41,174)		(34,309)
Net current assets			11,186		10,729		2,878
Non-current liabilities							
Total pension liability	14e		(6,307,641)		(5,751,571)		(4,788,883)
Provisions			-		-		(300,750)
Net liabilities			**(6,296,455)**		**(5,740,842)**		**(5,086,755)**
Taxpayers' equity:							
General fund			(6,296,455)		(5,740,842)		(5,086,755)
			(6,296,455)		**(5,740,842)**		**(5,086,755)**



Antonia Romeo
Accounting Officer
Date: 9 December 2021

The notes on pages 46 to 65 form part of these accounts

Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2021

	Note	2020-21	Restated 2019-20
		£'000	£'000
Balance at 31 March		(5,745,517)	(5,087,318)
Prior year adjustment		4,675	563
Re-stated balance at 1 April		(5,740,842)	(5,086,755)
Consolidated Fund Standing Services:			
Pension payable by the Consolidated Fund		85,520	82,450
Contributions payable directly by the Consolidated Fund		302	208
Income attributable to the Judiciary at the Corporation of London		(195)	(159)
CFERs payable to the Consolidated Fund		(112,369)	(119,556)
Comprehensive Net Expenditure for the year		(246,871)	(252,030)
Other actuarial re-measurement - gain/(loss)	14(h)	(282,000)	(365,000)
Balance at 31 March		**(6,296,455)**	**(5,740,842)**

The notes on pages 46 to 65 form part of these accounts

Statement of Cash Flows
for the Year Ended 31 March 2021

	Note	2020-21	Restated 2019-20
		£'000	£'000
Cash flows from operating activities:			
Net expenditure for the year	SOCNE	(246,871)	(252,030)
Adjustments for non-cash transactions:			
Contributions payable/(receivable) by the Consolidated Fund		302	208
Income attributable to Judiciary at the Corporation of London		(195)	(159)
Adjustment in respect of working capital		(459)	(7,850)
Increase in pension provision	5 & 8	445,772	456,750
Use of provisions – pensions payable by Vote	14f	(92,600)	(81,331)
Enhancements, transfers in & transfers out	6,7&14g	6,420	3,968
Net increase in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund		**112,369**	**119,556**
Payment of amounts due to the Consolidated Fund – current year		(73,838)	(90,632)
Payment of amounts due to the Consolidated Fund – prior year		(28,922)	(24,001)
Increase in cash held on behalf of the Consolidated Fund	13	354	4,147
Net increase in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund		**9,963**	**9,070**
Cash and cash equivalents at the beginning of the year	12	33,671	24,601
Cash and cash equivalents at the end of the year	12	**43,634**	**33,671**

The notes on pages 46 to 65 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation of the JPS Financial Statements

The financial statements of the Judicial Pensions Scheme (JPS) have been prepared in accordance with the relevant provisions of the 2020-21 Government Financial Reporting Manual (FReM), issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector. IAS 19 *Employee Benefits* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans* are of particular relevance to these statements.

In addition to the primary statements prepared under IFRS, the FReM also requires the scheme to prepare an additional statement – a Statement of Parliamentary Supply. This statement, and its supporting notes, show outturn against estimate in terms of the net resource requirement and the net cash requirement.

1.1 Judicial Pensions Scheme (JPS)

The Judicial Pensions Scheme consists of final salary schemes and a career average scheme which were contracted out until 6 April 2016. They are unfunded pay-as-you-go occupational pension schemes. It has been administered by an external service provider Xafinity Punter Southall Administration Limited (XPS), formerly PS Administration Limited (PSAL), and prior to that Punter Southall Limited, since 6 January 2015. It is open to members of the judiciary who satisfy the membership criteria.

Contributions to the JPS by employers are set at rates determined by the Government Actuary's Department (GAD) and approved by the Judicial Pensions Board. Contributions to the JPS by members are paid at rates set out in secondary legislation. The contributions partially fund payments made by the JPS, the balance of funding being provided by Parliamentary Vote, through the annual supply estimates process, and directly from the Consolidated Fund. The administrative expenses associated with the operation of the JPS are borne by the Ministry of Justice (MoJ) and reported in that entity's financial statements.

The financial statements of the scheme show the financial position of the JPS at the year end and the income and expenditure during the year. The Statement of Financial Position shows the unfunded net liabilities of the scheme; the Statement of Comprehensive Net Expenditure shows, amongst other things, factors contributing to the change in the net liability analysed between the pension cost, enhancements and transfers in, and the interest on the scheme liability. Further information about the actuarial position of the scheme is dealt with in the Report of the Actuary, and the scheme financial statements should be read in conjunction with that report.

The financial statements have been laid in accordance with the Government Resources and Accounts Act 2000, chapter 20, section 6 (4).

1.2 Going Concern

The Statement of Financial Position as at 31 March 2021 shows a pension liability of £6,308m (2019-20: £5,752m - restated). Other movements in the liability reflect the inclusion of liabilities falling due in the long-term, which are to be financed mainly by drawings from the

Consolidated Fund. Such drawings will be grants of supply approved annually by Parliament to meet the JPS's pension benefits, which come into payment each year.

Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than as required for the service of the specified year or retained in excess of that need. All monies, including those derived from pension contributions in excess of pensions benefits paid, are surrenderable to the Fund.

In common with other public service pension schemes, the future financing of the JPS's liabilities is to be met by future grants of supply and the application of future pension contributions, both to be approved annually by Parliament. Such approval for amounts required for 2021-22 has already been given. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

2. Statement of accounting policies

The accounting policies contained in the FReM follow IFRS to the extent that they are meaningful and appropriate in the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policies been judged to be most appropriate to the particular circumstances of the JPS for the purpose of giving a true and fair view has been selected. The accounting policies adopted have been applied consistently in dealing with items considered material in relation to the JPS financial statements.

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Pension contributions receivable

Appointing bodies' normal pension contributions are accounted for on an accruals basis.

Dependants' Pension Contributions (DPC) under the 1993 Act are accounted for on an accruals basis. Under the 1981 Act, members could elect to pay DPC (then for spouses only) either throughout their service or through a reduction in their lump sum upon retirement. Where members have elected to pay these contributions throughout their service, they are accounted for on an accruals basis.

If a member has no dependants at retirement then they will receive a refund of DPC from the date on which the member last had a spouse, registered civil partner or eligible children. These refunds are paid with the lump sum on retirement and are accounted for on a cash basis, being recognised as a reduction in contribution income for the year. Personal Pension Contributions (PPC) from members were introduced from 1 April 2012. They are accounted for on an accruals basis.

The judges who are members of the JPS 2015 Scheme have paid employee contributions since 1 April 2015. In this scheme there is no distinction between contributions paid for members (PPC) and dependants (DPC) as existed in the 1993 Scheme and no refunds are payable on retirement.

Judges who are members of the FPJPS 2017 Scheme have paid employee contributions since 1 April 2017. Employee contributions for pensionable service before commencement of the scheme may be paid by way of lump sum, deductions from fees or deduction from the retirement or death in service lump sum. Where members opt for a reduction in their retirement or lump sum payment, only the actual amount paid is deducted from the pension liability. This scheme approximates the 1993 Scheme as closely as possible and includes the DPC contributions and refunds.

Members' contributions paid in respect of the purchase of added years, or any other benefits to be gained from the JPS, are also recognised on an accruals basis. Any associated increase in the scheme liability is recognised as expenditure.

2.3 Other pension income

The MoJ is the manager of the JPS. Within the 51.35% Accruing Superannuation Liability Charges (ASLCs) received from appointing bodies is a 0.25% administration fee recognised as other pension income in these accounts.

2.4 Transfers in and out

Transfers in or out of the JPS in respect of individual members are accounted for on a cash basis. Transfer values are those sums paid to or received from other pension schemes and relate to previous periods of pensionable employment. The values have been included in the financial statements in the period in which the sums were paid to or received from another pension scheme.

2.5 Current service cost

The current service cost is the increase in the present value of the scheme liabilities arising from current members' service in the current period and is recognised in the Statement of Comprehensive Net Expenditure. The cost is based on the assumptions used by the actuary and is assessed as 77.3% of pensionable pay.

2.6 Past service cost

The past service cost is the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits, and are recognised in the Statement of Comprehensive Net Expenditure.

A past service cost of £230m was recognised in 2018-19 in relation to the increase in the pension liability arising from the McCloud litigation. This was reduced by a negative past service cost for McCloud of £40m in 2019-20, although the overall 2019-20 past service cost remained positive owing to an increase of £98.75m (all voted) for the O'Brien and Miller cases.

In 2020-21 following further clarification of the McCloud judgment, where excess member contributions will not be refunded for years out of scope for tax adjustments, there has been a further reduction in past service costs of £10m.

This McCloud reduction has been offset by an increase of £76.8m as a result of additional data being available for the O'Brien and Miller settlements, giving a past service cost of £66.8m in these accounts.

2.7 Interest on scheme liabilities

The interest cost is the increase during the period in the present value of the scheme liabilities because accrued members' benefits are one year closer to settlement and this is recognised in the Statement of Comprehensive Net Expenditure. The gross discount rate of 1.80% (2019-20: 2.90%) is consistent with the assumptions used for current service costs.

2.8 Scheme liability

Provision is made for liabilities to pay pensions and other benefits in the future. The scheme liability is measured on an actuarial basis using the projected unit method and has been discounted at a real rate, as prescribed by HM Treasury, which for 2020-21 is -0.95% per annum (2019-20: -0.50%). The valuation takes account of the overnight change in the scheme's liabilities as a result of the change in the real discount rate to -0.95% as at 31 March 2021. Such changes are recognised in the Statement of Comprehensive Net Expenditure for the year as advised by HM Treasury.

The last full actuarial valuation was carried out as at 31 March 2016. The value of liabilities as at 31 March 2021 has been calculated by rolling forward the liability as at 31 March 2016 for JUPRA and JPS 2015, or 31 March 2017 for FPJPS, taking account of the assumptions applicable for 2020-21. The full actuarial valuation for March 2020 has not yet been completed and the actuary is satisfied that the roll forward approach provides an accurate valuation.

2.9 Provision for fee-paid judges' entitlements

Provisions represent liabilities of uncertain timing or amount and are recognised when the JPS has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and for which a reliable estimate can be made for the amount of the obligation.

2.10 Pension benefits payable

Pension benefits payable are accounted for as a decrease in the scheme liability on an accruals basis.

2.11 Pension payments to those retiring at their normal pension age

Pension payments made to those retiring at their normal retirement age are accounted for as a decrease in the scheme liability on an accruals basis.

2.12 Pension payments to and on account of leavers before their normal retirement age

Where pensions are taken before retirement age, the transactions are accounted for as a decrease in the scheme liability on an accruals basis. This is also the case when a member of the JPS is entitled only to a refund of previous contributions paid.

2.13 Lump sums payable on retirement or on death in service / early retirement

Lump sum payments payable on death in service or early retirement are accounted for on an accruals basis. They are recognised as payable from the date of death or retirement and are a direct charge to the pension provision, as they are funded through the normal pension contributions. Accruals for the lower judiciary are accounted through Note 13 Payables and accruals for the higher judiciary are accounted for through reserves as higher judiciary lump sums are funded through the Consolidated Fund.

2.14 Other re-measurement – gains/losses

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the Statement of Financial Position date are recognised in the Statement of Comprehensive Net Expenditure for the year. These gains and losses are based on the figures provided by the actuary and the related assumptions, which have been deemed appropriate by GAD and JPS Managers.

2.15 Administration fees

Scheme administration for the JPS is carried out by Xafinity Punter Southall (XPS). XPS operate governance and internal control arrangements, which are independently audited on an annual basis. The costs of XPS are paid by MoJ.

This is overseen by staff from the pensions operations team, part of the MoJ financial management and control directorate. The costs of the pensions operations team are paid by the MoJ.

To cover these costs, the JPS is authorised by HM Treasury to pay the MoJ 0.25% of the 51.35% Accrued Superannuation Liability Charges (ASLC) received. In 2020-21 this amounts to £891k (2019-20: £907k). The payments have been reported in the MoJ's accounts.

2.16 Other expenses

Other pension related expenses to the judiciary (such as payments for early retirement and ex-gratia payments) are borne by the relevant appointing body and reported in their Departmental Resource Accounts.

2.17 New and amended accounting standards adopted

There have been no new or amended standards adopted in the financial year beginning 1 April 2020.

2.18 Accounting standards issued but not effective

IFRS 16: Leases will be adopted from 1 April 2022. The JPS does not have any leases and therefore this standard is not expected to have any impact on the accounts.

IFRS 17: Insurance Contracts will be adopted from 1 April 2023. The JPS does not have any insurance contracts, so this standard is not expected to have any impact on the accounts.

2.19 Significant judgments and estimates

The valuation of provisions and liabilities relies on the application of professional judgment, historical experience and other factors expected to influence future events. The liability recognised in these accounts in relation to the O'Brien and Miller cases is derived from financial models based on the best available data, including actual fee-paid service records, previous pension claims, actual payments in lieu of pension payments made during 2020-21 and historic records of office holders, which have been evaluated and reviewed. This is consistent with the main pension liability which is also a significant estimate.

They represent an approximation of the additional cost of pension entitlement for service incurred prior to 7 April 2000 and for all eligible fee-paid service in relation to potential new claimants. The eventual value of these liabilities may differ significantly from the values recognised in these accounts. Further information including the carrying amounts is set out in Note 14.

2.20 Prior Period Adjustments

During 2020-21 it was identified that the accruals for lump sum payments needed to be adjusted. A significant number of lump sums had not been accounted for in the relevant year. Further analysis identified that these accruals also needed correcting for both 2018-19 and 2019-20. As a result, the 2019-20 comparative figures have been restated to recognise the impact on the following schedules: Note 13 Payables, Note 14(e) Analysis of movement in scheme liability and Note 14(f) Analysis of benefits paid. This has had a subsequent impact on the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity and the Statement of Cashflows. Lump sum payments for the higher judiciary are funded through the Consolidated Fund and these accruals are therefore shown through the reserves and not Note 13 Payables.

It was also discovered that there had been an incorrect classification of payables within the payables note for 2019-20. This has also been restated (see note 13).

The total adjustments are as follows:

	2019-20	2018-19
	£'000	£'000
Payables (within 12 months)	1,684	(1,578)
Total pension liability	2,991	2,141
General fund	**4,675**	**563**

In accordance with IAS 1, the Statement of Financial Position also includes restated figures at 1 April 2019.

3. Pension contributions receivable

	2020-21	2019-20
	£'000	£'000
Employers; appointing bodies:		
Accruing Superannuation Liability Charges (ASLCs)	182,013	185,577
Employees; judicial office-holders:		
Normal contributions: pension contributions	20,428	20,602
Purchase of added years: internal JPS AVC's only	1,928	1,853
	204,369	**208,032**

Employees' pension contributions include both personal and dependants' contributions. Contributions payable to the JPS in 2021-22 are estimated to be £226m.

4. Other Pension Income

	2020-21	2019-20
	£'000	£'000
Administration fees receivable from appointing bodies	891	907
	891	**907**

5. Current and Past Service Costs

	2020-21	2019-20
	£'000	£'000
Current service cost: (see note 14e)		
Judiciary paid from the JPS estimate and pension increases for all judiciary	143,000	137,000
Judiciary paid from the Consolidated Fund (notional expenditure)	132,000	122,000
	275,000	259,000
Past service cost:		
Paid from the JPS Estimate	71,572	77,750
Paid from the Consolidated Fund (notional expenditure)	(4,800)	(19,000)
	66,772	58,750
	341,772	**317,750**

All the service costs are apportioned between vote and non-vote expenditure based on a percentage split provided by the Government Actuary's Department, representing the ratio of members across all schemes in the higher and lower judiciary. The 2020-21 pension cost has been allocated at 52% vote and 48% non-vote (2019-20: 53%:47%).

The past service cost for 2020-21, an increase of £66.8m, has two elements: a reduction of £10m for McCloud that has been allocated on the same basis of 52%:48% between the voted and non-voted elements, and an increase of £76.8m for O'Brien and Miller that has been allocated to vote. The reduction in the past service cost for McCloud is due to the clarification of the McCloud remedy published by the MoJ on 25 February 2021 in response to the McCloud consultation. The increase in O'Brien and Miller costs is the result of additional data, on claims processed and payments in lieu of pension payments made during the year, being available during 2020-21.

6. Enhancements

	2020-21	2019-20
	£'000	£'000
Employees:		
Purchase of added years	1,929	1,853
	1,929	**1,853**

7. Transfers in – additional liability

	2020-21	2019-20
	£'000	£'000
Individual transfers from other schemes	4,731	2,114
	4,731	**2,114**

8. Pension financing cost

	2020-21	2019-20
	£'000	£'000
Net interest on defined pension liability (see note 14e)	104,000	139,000
	104,000	**139,000**

9. Administration Expenses

	2020-21	2019-20
	£'000	£'000
Administration expenses paid to the MoJ	891	907
	891	**907**

10. Additional Voluntary Contributions (AVCs)

10.1 AVCs to External Approved Providers

The JPS provides for members to make additional voluntary contributions (AVCs) to increase their pension entitlements. The Judicial Added Voluntary Contributions Scheme (JAVCS) is available to members of the JUPRA, JPS 2015 and FPJPS 2017 schemes. Members may arrange to have agreed sums deducted from their salaries for onward payment to the approved providers, Utmost Life and Pensions Limited and Prudential plc. The managers of the JPS have responsibility only for the onward payment, by appointing bodies, of members' contributions to the provider. These AVCs are not reflected in the primary financial statements. Members of the JPS participating in this arrangement receive an annual statement from the provider confirming the amounts held to their account and the movements in the year.

The aggregate amounts of AVC investments are as follows:

	Utmost Life & Pensions		Prudential	
	2020-21	**2019-20**	**2020-21**	**2019-20**
	£'000	£'000	£'000	£'000
Movements in the year				
Balance at 1 March / 1 April	82	79	2,772	3,269
New investments	-	-	255	231
Leavers, transfers & withdrawals	-	-	-	-
Claims paid	-	-	(240)	(635)
Changes in market value of investments	2	3	404	(93)
Balance at 29 February / 31 March	**84**	**82**	**3,191**	**2,772**

Note: The figures from Utmost Life & Pensions cover the 12-month period from 01/03/20 to 29/02/21, whereas the figures from Prudential cover the 12-month period from 01/04/20 to 31/03/21.

10.2 AVCs – historic internal arrangements

Historically there have been three AVC arrangements within the JPS provided for under the Judicial Pensions and Retirement Act 1993 ("the 1993 Act") and the Judicial Pensions Act 1981 ("the 1981 Act") as amended by the 1993 Act.

The Judicial Added Benefits Scheme (for 1981 Act members only) enables members to increase the level of benefits payable from their main judicial pension scheme.

The Judicial Added Years Scheme (for 1993 Act members only) enables members of the 1993 Scheme to increase the length of service and the benefits at retirement.

The Judicial Added Surviving Spouse's Pension Scheme (for 1993 Act members only) enables members to make contributions that will increase only the level of the contingent surviving spouses or civil partner's pension.

All three of these AVC facilities were closed to new subscribers with effect from 6 April 2006.

10.3 AVCs – JPS 2015

There are two internal AVC arrangements available for members of JPS 2015.

Added Pension Option
Under this arrangement members may pay additional contributions or lump sums to purchase added pension. The total amount of added pension that a member can purchase is subject to the limits set by HM Treasury.

Effective Pension Age Option
Members may make periodical payments throughout their service to attain a pension age of up to three years below the member's normal pension age, provided it would achieve an effective pension age of at least 65.

10.4 AVCs – Fee-Paid JPS

The Fee-Paid Judicial Added Years Scheme (FPJAYS) and Fee-Paid Judicial Added Surviving Adult's Pension Scheme (JASAPS) is open to members of the FPJPS who were in service before 6 April 2006. FPJPS members who wished to join these schemes were required to give notice in writing to the scheme administrators XPS within one year of the commencement of the FPJPS on 1 April 2017. Due to delayed implementation, the FPJAYS option remained open for an extended period; the option was closed on 31 March 2020. FPJPS members may only make contributions to JASAPS during periods of service in qualifying judicial office during which they have a spouse or civil partner.

10.5 The Pension Partnership Account

This is a tax-registered stakeholder pension scheme for judges eligible for JPS 2015. Members can opt to join this scheme instead of joining the JPS 2015. The Pension Partnership Account (PPA) is administered by Prudential. During 2020-21 £29,950 in contributions were paid to Prudential by members of the scheme.

11. Receivables – contributions due in respect of pensions

Analysis by type

Amounts falling due within one year	2020-21	2019-20
	£'000	£'000
Pension contributions due from appointing bodies:		
Accruing Superannuation Liability Charges (ASLCs) including administration fees	16,110	15,367
Pension contributions due from judicial office-holders:		
Normal contributions -Personal Pension Contributions (PPCs)	1,863	1,746
Purchase of added years: internal JPS AVC's only	63	52
Overpaid pensions & other debtors	38	73
Overpaid lump sum	12	-
Ex-gratia payments due from MoJ	41	80
Payments in lieu of pension due from MoJ	3,484	914
	21,611	**18,232**

12. Cash and cash equivalents

	2020-21	2019-20
	£'000	£'000
Balances as at 1 April	33,671	24,601
Net change in cash balances	9,963	9,070
Balance at 31 March	**43,634**	**33,671**
The following balances at 31 March were held at:		
Government Banking Service	43,634	33,671
	43,634	**33,671**

13. Payables – in respect of pensions

Analysis by type

Amounts falling due within one year		**Restated**
	2020-21	**2019-20**
	£'000	£'000
Tax due to HM Revenue and Customs	2,968	3,211
Death in service and early retirement payments	226	283
Administration charges due to MoJ	204	221
Pension arrears	111	37
Lump sums	392	2067
Other creditors	6,524	1,685
Total payables excluding CF creditor	10,425	7,504
Extra receipts due to the Consolidated Fund	38,532	28,923
Non-JPS cash held on behalf of the Consolidated Fund	5,102	4,747
	54,059	**41,174**

Please see Accounting Policies Note 2.20 for more detail on the prior year restatement.

14. Provisions for pension liability

14 (a) Provision for judges' pension entitlements

In November 2018, in relation to the O'Brien No.2 litigation case, the Court of Justice of the European Union (CJEU) ruled that, in calculating the pension entitlement of eligible fee-paid judges, any continuous service prior to 7 April 2000 (the date that the Part-time Work Directive should have been transposed into domestic law) must be taken into account.

In December 2019, in relation to the Miller litigation case, the Supreme Court ruled that the time limit for making a pension claim under the Part-time Workers Regulations runs from the point of retirement from all judicial offices, rather than the end of fee-paid service. This increases the number of former fee-paid judicial office holders entitled to a pension.

A new provision was recognised in the 2018-19 accounts for the estimated increase in future pension benefits payable as a result of these cases. It is now appropriate to recognise these liabilities as part of the pension liabilities under the relevant accounting standard (IAS 19 Employee Benefits). As a result, in 2019-20, the previous provision of £301m was rolled into the pension liability and the increase in value was accounted for as a past service cost in 2019-20.

There is very limited data available on fee-paid judges' service prior to 7 April 2000, and therefore estimates were, and still are, based upon extrapolation from the post-2000 service of those judges thought to have eligible pre-2000 service.

Following determination of the methodology to be applied in calculating pension entitlements for pre-2000 service, the Government Actuary's Department (GAD) has been able to determine an estimated value of the accrued benefits on an actuarial basis. In addition, the MoJ has undertaken significant work to identify those former fee-paid judges whose pension claims will now be 'in time' as a result of the Miller judgment. This work increased the pension liability by £99m to £400m in 2019-20. In 2020-21, further data has been obtained relating to fee-paid records and GAD has taken account of the additional data available and actual payments in lieu of pension made during the year to provide a more detailed extrapolation. This has resulted in an increase in pension liability for O'Brien and Miller of £96m. The related movements in the pension liability are shown at Note 14(e). It has now been recognised that post-2000 Miller-related payments will be paid by the JPS and not by the MoJ.

Until the necessary changes in legislation are made to the regulations, which is expected in 2023, the JPS cannot make the remedy for O'Brien and pre-2000 Miller pension payments under the FPJPS 2017 scheme. On behalf of the MoJ, the JPS are making payments in lieu of pension, based on the claims assessed by the MoJ judicial claims teams and the methodology template produced by GAD for the MoJ. The payments in lieu paid are reimbursed by the MoJ. The reimbursement amount outstanding at 31 March 2021 is recorded in the Statement of Financial Position and in Note 11 Receivables.

A provision has also been raised in the MoJ Annual Report and Accounts (available at https://www.gov.uk/government/organisations/ministry-of-justice), for short term payments in lieu of pension, until scheme regulations can be amended.

	2020-21	**2019-20**
	£'000	£'000
Balance as at 1 April	-	300,750
Provided in the year – fee-paid judges pension liability		98,750
Rolled into the pension liability	-	(399,500)
Balance at 31 March	**-**	**-**

14 (b) Assumptions underpinning the provision for pension liability

The JPS is an unfunded defined benefit scheme. GAD undertook a full actuarial valuation as at 31 March 2016. The appropriate membership data has been supplied to GAD and this data has been used to form the basis of this assessment. The Report of the Actuary, on pages 14 to 19 sets out the scope, methodology and results of the work the actuary has carried out.

The major assumptions used by the actuary were:

	At 31 March 2021	At 31 March 2020	At 31 March 2019	At 31 March 2018	At 31 March 2017
Rate of increase in salaries	3.72%	4.10%	4.10%	3.95%	4.55%
Rate of increase in pensions in payment and deferred pensions	2.22%	2.35%	2.60%	2.45%	2.55%
Inflation assumption	2.22%	2.35%	2.60%	2.45%	2.55%
Nominal discount rate	1.25%	1.80%	2.90%	2.55%	2.80%
Discount rate net of price inflation	(0.95%)	(0.5%)	0.29%	0.10%	0.24%
Mortality rates at aged 60 (life expectancy in years)					
Current retirements					
Females	30.6	30.5	31.4	31.3	31.9
Males	28.8	28.8	29.7	29.6	30.4
Retirements in 15 years' time					
Females	31.8	31.8	33.0	32.9	33.5
Males	30.1	30.0	31.2	31.1	32.0

These key assumptions are inherently uncertain, since it is impossible to predict with any accuracy future changes in the rate of salary increases, inflation, longevity, or the return on corporate bonds. The actuary uses professional expertise in arriving at a view of the most appropriate rates to use in the annual valuation of the scheme liabilities. However, the scheme manager acknowledges that the liability reported in these accounts is not certain, since a change in any one of these assumptions will either increase or reduce the liability. For example, on its own, even a small rise in the assumed rate of inflation will result in a significant increase in the pension liability.

The assumption that has the biggest impact on the amount of the reported liability is the discount rate net of price inflation. As set out in the FReM, and as required by IAS 19, the discount rate net of price inflation is based on yields on high quality corporate bonds and is specified by HM Treasury. The rates are set out in the above table. Any decrease in the discount rate net of inflation leads to a significant increase in the reported liability.

In accordance with IAS 19, the scheme manager is required to undertake a sensitivity analysis for each significant actuarial assumption (see Note 14d) as of the end of the reporting period, showing how the defined benefit would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date.

For the O'Brien and Miller element of the liability, the key assumptions used are that the average annual number of sitting days for a member before 7 April 2000 is equal to his or her average annual sitting days on or after 7 April 2000 and that the additional pension liability for each individual Miller claimant is the same as the average liability of an O'Brien claimant. These assumptions will be replaced by actual data as individual judges' claims are processed and the effects will be reflected in the next actuarial valuation. This means that the eventual amount of liability may be significantly different from the estimate.

14 (c) Analysis of the pension liability

	March 2021	March 2020	March 2019
	£m	£m	£m
		Restated	
Liability relating to pensioners in payment	1,739	1,724	1,681
Liability relating to deferred pensioners	32	30	28
Liability relating to active members	4,041	3,598	3,082
Scheme liability at 31 March (existing schemes only)	**5,812**	**5,352**	**4,791**

A valuation of the scheme as at 31 March 2016 resulted in an increase in the employer contribution rate from 38.2% to 51.1% (excluding 0.25% admin charge) with effect from 1 April 2019. The employee's contribution rate depends on the individual's pensionable pay, and so the average rate will depend on the salary profile of the workforce in future years. It should therefore be recognised that the results may differ from those that would emerge following an actuarial valuation based on full membership data as at 31 March 2016. This is the professional judgement of the actuary based on the information provided by the scheme administrator (see the Report of the Actuary, pages 15-21).

The assessment of the liabilities is reliable to the extent that the assumptions are reasonable, which the actuary and Scheme Manager considers them to be, and the data provided is accurate. The results of the assessment would change if different assumptions were adopted or if the data were found to be inaccurate.

Pension scheme liabilities accrue over employees' periods of service and are discharged over the period of retirement and, where applicable, the period for which a spouse, civil partner or dependants survive the pensioner. In valuing the scheme liability, the actuary must estimate the impact of several inherently uncertain variables far into the future. The variables include not only the key assumptions noted in the table above, but also assumptions about the changes that will occur in the future in the mortality rate, the age of retirement and the age from which a pension becomes payable. Membership numbers in the years between full actuarial valuations are assumed to be stable.

The value of the liability on the Statement of Financial Position may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rates of inflation or increases in salaries, the value of the pension liability will increase or decrease. The Scheme Manager accepts that, as a consequence, the valuation provided by the actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in Note 14(h). The note also discloses 'experience' gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

14 (d) Sensitivity analysis

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty I have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2021 of changes to the most significant actuarial assumptions.

The most significant financial assumptions are the discount rate, general earnings increases and pension increases (currently based on CPI). A key demographic assumption is pensioner mortality. Table J shows the indicative effects on the total liability as at 31 March 2021 of changes to these assumptions (rounded to the nearest 0.5%).

Table J – Sensitivity to significant assumptions

Change in assumption		Approximate effect on total liability	
Financial assumptions			
(i) discount rate*:	+0.5% p.a.	- 7.5%	- £473 million
(ii) (long-term) earnings increase*:	+0.5% p.a.	+ 1.5%	+ £95 million
(iii) pension increases*:	+0.5% p.a.	+ 5.0%	+ £315 million
Demographic assumptions			
(iv) additional 1 year increase in life expectancy at retirement		+ 4.5%	+ £284 million

* Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

14(e) Analysis of movement in scheme liability

	Note	2020-21	Restated 2019-20
		£'000	£'000
Scheme liability at 1 April		5,751,571	4,788,884
Current service cost	5	275,000	259,000
Past service cost (McCloud case)	5	(10,000)	(40,000)
Pension financing cost	8	104,000	139,000
Enhancements, transfers in & transfers out	6,7&14g	6,659	3,967
Pension benefits payable	14(f)	(178,120)	(163,780)
Pension payments to and on account of leavers – transfers out	14(g)	(241)	-
Other re-measurement - (gains)/losses	14(h)	282,000	365,000
O'Brien & Miller provision rolled into pension liability		-	300,750
Past service cost (O'Brien & Miller cases)	5	76,772	98,750
Scheme liability at 31 March		**6,307,641**	**5,751,571**

Please see Accounting Policies Note 2.20 for more detail on the prior year restatement.

Movement in O'Brien/Miller pension liability:

	Note	2020-21	2019-20
		£'000	£'000
Balance as at 1 April		399,500	0
Past Service Cost		76,800	98,750
Pension financing cost		7,000	0
Benefits payable		(7,000)	0
Change in actuarial financial assumptions		20,000	0
O'Brien & Miller provision rolled into pension liability	14e	0	300,750
Balance at 31 March		**496,300**	**399,500**

During the year ended 31 March 2021, employers' contributions represented 51.35% of pensionable pay. For members in the 1993 Scheme, contributions are taken from salary up to a level reflecting the former Inland Revenue earnings cap, while members of the 1981 Scheme pay contributions based on the whole salary.

From 1 April 2012 employees were required to make Personal Pension Contributions (PPCs) of 1.28% in addition to Dependants Pension Contributions (DPCs). From 1 April 2013 personal contributions were doubled to 2.56% and from 1 April 2014 they were increased to 3.2%.

From 5 February 2016 for JUPRA and JPA 1981, the rate of PPCs varied from 2.61% to 4.43% depending on the annual rate of pensionable earnings. DPCs of 1.80% are payable on pensionable earnings up to the earnings cap. From 1 April 2017 members of the FPJPS paid PPCs and DPCs at the same rates as JUPRA members for fee-paid service from April 2000. Contributions to JPA 1981, JUPRA and FPJPS do not attract income tax relief as these schemes are not tax registered. JPS 2015 is a tax registered scheme. Members pay a single contribution rate (rather than separate rates for PPCs and DPCs) which varied from 2.76% to 8.05%. Rates are higher than for JPA 1981, JUPRA and FPJPS to reflect the fact that they attract income tax relief.

The 2019-20 personal pension contribution rates have remained the same in 2020-21.

14 (f) Analysis of benefits paid

	2020-21		Restated 2019-20	
	£'000	£'000	£'000	£'000
Members – Base pensions	52,249		42,913	
Members – Pensions increase	20,293		19,286	
Members – Lump sum on retirement	10,323		10,113	
Dependants – Base pensions	3,209		2,901	
Dependants – Pensions increase	5,626		5,385	
Dependants – Lump sum on death of member	901		732	
Pension benefits payable from Supply		**92,601**		**81,330**
Members – Base pensions	66,860		63,562	
Members – Lump sum on retirement	10,339		10,664	
Dependants – Base pensions	8,002		7,543	
Dependants – Lump sum on death of member	318		681	
Pension benefits payable from Consolidated Fund		**85,519**		**82,450**
Total pension benefits payable charged against provision		**178,120**		**163,780**

Please see Accounting Policies Note 2.20 for more detail on the prior year restatement.

14 (g) Analysis of payments to and on account of leavers

	2020-21	2019-20
	£'000	£'000
Individual transfers to other schemes	241	-
Total payments to and on account of leavers	**241**	**-**

14 (h) Analysis of other re-measurements

	2020-21	2019-20
	£'000	£'000
Experience gains/(losses) arising on the scheme liabilities	78,000	71,000
Gains/(losses) resulting from changes in assumptions underlying the present value of scheme liabilities	(360,000)	(436,000)
Per Statement of Changes in Taxpayers' Equity	**(282,000)**	**(365,000)**

14 (i) History of experience gains and losses

	2020-21	2019-20	2018-19	2017-18	2016-17
	£'000	£'000	£'000	£'000	£'000
Experience gains/(losses) on scheme liabilities:					
Amount	78,000	71,000	105,000	35,000	24,000
Percentage of the present value of the scheme liabilities at the balance sheet date	(1.24%)	(1.31%)	(2.19%)	(0.76%)	(0.64%)
Total other re-measurement - gains/(losses):					
Amount	(282,000)	(365,000)	250,000	85,000	(549,000)
Percentage of the present value of the scheme liabilities at the balance sheet date	4.47%	6.82%	(5.22%)	(1.84%)	14.58%

15. Financial Instruments

As the cash requirements of the JPS are met through the estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public service scheme of a similar size. Most financial instruments relate to contracts for non-financial items in line with the JPS's expected purchase and usage requirements and the JPS is therefore exposed to little credit, liquidity or market risk.

16. Contingent liabilities disclosed under IAS 37

Following a legal challenge, the MoJ has conceded that the current policies for sitting in retirement (where a judge may retire and draw a pension from their salaried office, and then sit in a fee-paid office), do not apply equally to fee-paid judges. We intend to remove the differential treatment by legislating so that fee-paid judges in offices where there is a relevant salaried judge who can apply to sit in retirement, also have the opportunity to do so. In the interim, there is potential for affected judges to bring compensation claims in respect of this, and in the longer term, for pension benefits to become payable earlier, increasing the actuarial value of the pension liability. This effect cannot currently be estimated and, should there be a change to the pattern of retirement, will be reflected in the ongoing regular valuations process.

There are also a number of other legal claims in relation to discrimination between fee-paid and salaried judges, which may give rise to further pay and pension claims. We are currently unable to estimate the extent of the potential liability.

17. Related party transactions

The JPS does not fall within the ambit of the MoJ, as it obtains Parliamentary approval for its resources under a separate supply estimate. The MoJ is the Lead Appointing Body for most judiciary within the JPS. The Lord Chancellor is the scheme manager. The Permanent Secretary to the Ministry of Justice has been appointed as Accounting Officer for the JPS. The MoJ is regarded as a related party.

In addition, the scheme has had material transactions with other government departments, and other central government bodies whose employees are members of the schemes.

The JPS has not had unusual material transactions with the MoJ and other participating government departments who appoint Judicial Office Holders that are members of the JPS.

None of the managers of the scheme, key managerial staff or other related parties has undertaken any material transactions with the JPS during the year.

18. Events after the reporting period

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

The FPJPS and JPS 2015 were amended from 1 April 2021 by the Judicial Pensions (Fee-Paid Judges) (Amendment) Regulations 2021 and the Public Service Pensions Act 2013 (Judicial Offices) (Amendment etc.) Regulations 2021, respectively. These regulations added specified judicial offices to the list of offices eligible for pension provision under these schemes. 14 judicial offices were added to both the FPJPS and the JPS 2015. Approximately 100 judicial office holders became eligible for membership of a judicial pension scheme as a result. Copies of the regulations can be found at:
https://www.legislation.gov.uk/ukdsi/2021/9780348219197
https://www.legislation.gov.uk/uksi/2021/36/made

MoJ announced its intention to introduce a reformed judicial pension scheme in a consultation published on 16 July 2020. The reformed judicial pension scheme will be provided for through scheme regulations. The regulations will set out much of the detail of the scheme, such as its design features and eligibility requirements. MoJ has published a consultation on these scheme regulations on 23 July 2021. A copy of the consultation document can be found at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1005436/jps-2022-scheme-regulations-consultation.pdf This will provide the opportunity for judges, judicial associations and any other interested parties to provide their comments and views on the specifics of the reformed scheme.

A full actuarial valuation is undertaken every four years and its purpose is to assess the pension liability in respect of the benefits due, and to recommend contribution rates payable by employees and employers. The latest actuarial valuation undertaken for the JPS was completed as at 31 March 2016. The 2016 funding valuation was also expected to test the cost of the JPS relative to the employer cost cap that was set following the 2012 valuation.

In January 2019, the Government announced a pause to the cost control element of the 2016 valuations, due to the uncertainty around member benefits caused by the discrimination ruling relating to the McCloud case. A review of the employer cost cap was carried out to assess whether the cost control mechanism was working in line with original government objectives. The Government announced in July 2020 that the pause had been lifted so the cost control element of the 2016 valuations could be completed. The Government published its response to the cost control mechanism consultation on 4 October, which can found at: CCM_RESPONSE.pdf (publishing.service.gov.uk).

The Accounting Officer has authorised these accounts to be issued on the date the Comptroller and Auditor General certifies the accounts.

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