
Judicial Pensions Scheme Annual Report and Accounts 2018-19

(For the year ended 31 March 2019)

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This is part of a series of departmental publications which, along with the Main Estimates 2018-19 and the document Public Expenditure: Statistical Analyses 2018, present the Government's outturn for 2018-19 and planned expenditure for 2019-20



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ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE

REPORT OF THE MANAGERS

Background to the Judicial Pension Scheme

The Judicial Pension 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 will become JPS 2015 members, unless they decide to opt out.

The JPS 2015 is an unfunded, career average scheme for both salaried and fee paid judges. Unlike the other JPS, 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 of the Judicial Pensions Regulations 2015 may remain in their current JPS.

Those with tapering transitional protection, under these Regulations, will move to JPS 2015 at the end of their taper period.

Main Features of the JPS

Scheme	Membership	Accrual Rate
JPA 1981 & JUPRA	Eligible salaried Judges with full or tapering transitional protection	JPA 1981: Maximum accrual rate 20/40ths after 15 years or 40/80 th 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	Maximum accrual rate 20/40ths after 20 years
JPS 2015	Eligible salaried & Fee-Paid Judges, including those who have tapered from the other JPS	2.32% of pensionable earnings each year. There is no limit to the number of pension years that can be accrued.

JPA 1981

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

JUPRA provides a lump sum of 2.25 times the member's initial annual pension. Members' normal retirement pension is calculated at 1/40th of the highest of the last three years' pensionable pay, up to a level reflecting the former HM Revenue and Customs 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 members in respect of salaries above the notional earnings cap. The 2018-19 notional earnings cap was £160,800 (2017-18: £154,200).

FPJPS

As FPJPS is a non-registered scheme for tax purposes member contributions and retirement lump sum do not attract tax relief. Members receive a judicial service award

equal to the tax payable on the lump sum.

FPJPS is based on a “final pensionable earnings” model. The pension has an accrual rate of 2.5% (1/40th) of pensionable earnings, subject to a 20-year restriction on the number of reckonable full-time equivalent years’ worth of service. FPJPS pays an automatic lump sum on retirement at the rate of 2.25 times the member’s initial annual pension. The FPJPS normal retirement age is 65 years of age.

The pension for surviving spouses and surviving civil partners is paid at 50% of the member’s pension.

FPJPS provides a death in service of a lump sum equal to twice the amount of the member’s pensionable pay.

JPA 1981, JUPRA and FPJPS

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 their years of service and their judicial grade and ensures their net position is maintained. Judicial service awards are accounted for in the Ministry of Justice (MoJ) accounts.

Spouses’ pension benefits, payable on the death of a JPA 1981 or JUPRA member, are paid at the rate of half that of the member’s annual pension entitlements. Provision is also made for payment of surviving civil partner benefits.

JPA 1981 and JUPRA 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 Act.

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.

JPS 2015

As JPS 2015 is a 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%. Each scheme year members “bank” an amount of pension at the rate of 2.32% of their pensionable earnings in that scheme year. 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 CPI (Consumer Price Index).

The age at which a JPS 2015 pension becomes payable is linked 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 HM Revenue and Customs limits.

JPS 2015 also provides for a surviving adult's pension at 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 Pension Partnership 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, a judge does retain the right to move between the JPS 2015 and the PPA.

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 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 may only make contributions to the 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) to approved arrangements with The Equitable Life Assurance Company and Prudential plc.

JPS members may also opt to contribute to a freestanding AVC scheme.

Details of the JAVCS and arrangements by which JPS members may enhance their scheme entitlement can be found in notes to these accounts.

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 (CF). 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, their contribution rate was 38.45% of pensionable pay for 2018-19 (2017-18: 38.45%).

In 2018-19 pension contributions for members varied between 4.60% and 8.05% dependent upon the annualised rate of pensionable earnings. While the levels of pensionable earnings have been adjusted from the prior year the contribution rates are unchanged.

Contributions to the JPS by employers and members are set at rates determined by the Government Actuary's Department (GAD) and approved by the MoJ in conjunction with the Judicial Pension Board. 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 adjusted to take account of tax relief not being applicable. This contribution incorporates the Widow(er) Pension Scheme (WPS) contribution and the Personal Pension Contribution (PCC).

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 2018:

- (a) for a pension which began before 9th April 2018, the annual rate of increase is 3.0% (2017:1.0%); and;
- (b) for a pension which began on or after 9th April 2018, the annual increase of 3.0% is pro-rated.

Discount Rate

Since 2006 the discount rate for pensions has been reviewed annually, using market conditions. On 10 December 2018 HM Treasury announced in PES (2018) 12 that the discount rate for pension liabilities would change from 0.10% to 0.29% in real terms with effect from 31 March 2019.

Financial Position

At 31 March 2019 the JPS had long-term liabilities of £5,092m (31 March 2018: £4,620m).

Overall in 2018-19 the JPS has underspent against the Supplementary Estimate by £339m (voted expenditure only). The main reasons for this are:

- Provision of £301m has been made in relation to fee-paid judicial office holders' litigation (O'Brien and Miller cases), a reduction of £249m from the amount allowed for in the estimates, due to continuing refinement of the methodology and assumptions used in the calculations;
- The past service cost of £230m, in relation to transitional protection litigation (McCloud case), has been split between voted (£122m) and non-voted (£108m) expenditure, where the estimate allowed for £200m in voted expenditure only. This led to an underspend in voted expenditure of £78m (and conversely a £108m overspend in non-voted expenditure).

The key figures of interest costs and current service costs (CSC), i.e. the increases in liability arising from service incurred in the year, are calculated by GAD. In the case of both these costs, a more prudent approach is adopted for estimates to avoid an excess Vote risk.

Interest costs of £119m for 2018-19 are lower than the previous year (£127m). The interest cost is calculated by applying the gross discount rate to the liability. The gross discount rate has decreased from 2.80% at 31 March 2017 to 2.55% at 31 March 2018. This should prompt a decrease in interest costs, but this was offset by an increase in the pension liability from 31 March 2017 to 31 March 2018 which has the effect of increasing interest cost in 2018-19. The interest charge is in line with the Supplementary Estimate of £120m which included a contingency of £1m.

The CSC is primarily driven by applying the cost of pension earned by active members over the year to the annual payroll figure. CSC has slightly increased from £220m in 2017-18 to £221m in 2018-19. The net discount rate has fallen from 0.24% at 31 March 2017 to 0.10% at 31 March 2018. This should increase the CSC but has been offset by an increase in the proportion of members in JPS 2015. The outturn was below the supplementary estimate figure of £237m, given the more prudent approach adopted for the estimates. The estimate figure included a contingency of £15m.

Overall the Scheme has recorded an actuarial gain of £250m for 2018-19 (£85m in 2017-18). This includes a gain of £145m from changes in assumptions, particularly the increase in the nominal discount rate from 2.55% to 2.90%. This had the effect of reducing the liabilities but was partially offset by both the increase in the assumed rate of pension increases from 2.45% to 2.60% per annum, and the increase in the assumed rate of general pay increases from 3.95% to 4.10% per annum, both of which serve to increase the liabilities. There is also an experience gain of £105m owing to pensions increases being expected to be lower (£40m) and miscellaneous sources of change in the scheme liability, including those as a result of amendments to the underlying models as part of the 2016 valuation (£65m).

Administration

The Lord Chancellor, as the Scheme Manager for the JPS has delegated responsibility for the administration of the MoJ JPS to the Group Finance Director.

PS Administration Limited (PSAL) was appointed, August 2014, to deliver the JPS pension administration and pensioner payroll service.

Following the 2018 merger of Punter Southall Limited with Xafinity, various companies within the XPS Pension Group changed names and registered offices addresses although there was no change to the JPS pension administration and pensioner payroll services.

From 1 April 2019 PSAL became XPS Administration Limited under company number 9428346 and its registered office moved from London to Reading.

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 MoJ legal specialists and Government Legal Department.

Key Developments in the year

Significant ongoing litigation

Judgment was reached in *O'Brien v Ministry of Justice*, while there are two appeals currently in progress. *Miller v Ministry of Justice* may affect the number of those entitled to membership of the scheme. *McCloud v Ministry of Justice* will significantly affect the current provisions for transitional relief (see below).

Fee paid judicial office holders' claims:

In November 2018, 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 Worker Regulations should have been transposed into domestic law) must be taken into account (*O'Brien*).

MoJ has proposed to amend FPJPS, to provide pension benefits for eligible claimants in relation to pre-2000 service. Until the necessary changes to regulations can be implemented, it anticipates offering payments in lieu of pension, which will commence in 2019-20. These cannot be paid by the JPS, and will therefore be met by the MoJ; this is accounted for in the MoJ Annual Report and Accounts 2018-19. There will be a longer-term, ongoing impact on the JPS liability.

Judgment is awaited from the Supreme Court in Summer 2019 on a related case (*Miller*, which was stayed behind *O'Brien*) concerning the operation of time limits to make a claim: this may result in additional successful claims for a fee-paid pension.

In these accounts, a provision has been recognised for the estimated effect of both of these cases on the JPS liability.

Transitional protection claims (McCloud/Sargeant):

In 2015 the Government introduced reforms to public sector pensions (Hutton Report published in 2011, Public Service Pensions Act 2013 enacted the pensions reforms), meaning most public sector workers were moved into new career average pension arrangements in April 2015. Transitional protection was provided to members of the previous final salary arrangements based on their age at 1 April 2012 allowing them to continue in their existing arrangements and receive benefits from them, rather than transfer to the 2015 arrangements.

In December 2018, the Court of Appeal held that transitional protection provisions contained in reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, amounted to direct age discrimination and were therefore unlawful. The Supreme Court issued a decision in June 2019 rejecting the Government's application for permission to appeal. The case will now be referred to an Employment Tribunal for a decision regarding the remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

In line with other public service pension schemes, the JPS has considered the potential impact of the outcome on the scheme and, as a result, felt it prudent to increase past service costs. This has been estimated at £230m and has been recognised as a one-off past service cost adjustment in 2018-19. Further details of the valuation of the liability, the key assumptions and uncertainties are provided in notes 5 and 14.

The Supreme Court's decision is disclosed in the accounts as a post-balance sheet event.

Membership Statistics

Salaried Members in the JUPRA Schemes

A. Active membership	2018-19
Active members at 31 March 2018	1,075
New joiners	18
Active members who became True Deferred	(3)
Leavers entitled to deferred pension (became Active Salary Linked	(64)
Active members who retired	(128)
Active members who died (includes 1 member who retired and died in the same scheme year)	(2)
Active members at 31 March 2019	896
Active Salary Linkage members at 31 March 2018	646
Active Salary Linkage members who became Active Salary Linked	64
Active Salary members from data queries	1
Active Salary Linkage members who became True Deferred	(1)
Salary Linkage Deferred members who died	(1)
Salary Linkage Deferred members who retired	(3)
Active Salary Linkage members at 31 March 2019	706

B. Deferred membership	2018-19
True Deferred members at 31 March 2018	40
Active members who became True Deferred	4
New Deferred Pension Credit members	1
Active member who became Active Salary Linkage	(1)
True deferred members who retired (inc. Pension Credit members)	(4)
True Deferred members at 31 March 2019 (including Deferred Pension Credit members)	40

C. Pensioner membership	2018-19
Pensioner members at 31 March 2018	2,412
New retirements	134
New spouse and children's pensions	52
Pension Credit members from deferred	1
Member incorrectly recorded as a pensioner last year	(1)
Member who retired and was reinstated	(1)
Contingent Pensions ceased	(50)
Pensioner members who died	(49)
Pensioner members at 31 March 2019	2,498

Total membership at 31/03/2018	4,173
Total membership at 31/03/2019	4,140

Salaried and Fee-Paid Members in JPS 2015

A. Active Membership	2018-19
Active members at 31 March 2018	3,022
Adjustment for members who had movements in previous periods	30
Adjustment for additional records removed	(3)
New joiners in period (including transfers from the JUPRA scheme)	468
Leavers entitled to deferred pension	(14)
Leavers entitled to a refund of contributions	(1)
Active members who retired	(3)
Active members who died	(3)
Active members at 31 March 2019	3,496

B. Deferred Membership	2018-19
Deferred members at 31 March 2018	7
Adjustment to Prior year data – late notification of leavers	3
Active Members leaving who became Deferred	14
Deferred members who transferred out	(1)
True Deferred members at 31 March 2019 (inc. Deferred Pension Credit members)	23

C. Pensioner membership	2018-19
Pensioner members at 31 March 2018	13
Adjustment to Prior Year data- late notification of retiree	1
New retirements	3
New spouse and children's pensions	1
Contingent Pension ceased	(1)
Pensioner members at 31 March 2019	17
Total membership at 31/03/2018	3,076
Total membership at 31/03/2019	3,536

Fee-Paid Members in JPS 2017 Scheme

A. Membership	2018-19
Active members at 31 March 2019	4,203
Deferred members at 31 March 2019	231
Pensioners at 31 March 2019	1,235
Total members at 31 March 2019	5,669

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.

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 (2017-18: £nil).

The notional cost for the audit of these financial statements in 2018-19 is £51,000 (2017-18: £50,000) and is accounted for in the MoJ Annual Report and Accounts 2018-19.

Events after the reporting period

The JPS 2016 actuarial valuation was undertaken in accordance with the HM Treasury directions 'The Public Service Pensions (Valuations and Employer Cost Cap) (Amendment and Savings) Directions 2019', under which the cost control element of the valuation was suspended, pending judgement in the McCloud litigation. The cost control mechanism is a process under which member benefits and/or contributions in the post reform public service pension schemes (i.e. JPS 2015) could be amended to reflect the overall funding position

post-valuation.

The 2016 valuation resulted in an increase in the employer contribution from 38.45% to 51.35% of pensionable earnings on and from 1 April 2019.

On 27 June 2019, the Supreme Court refused the Government permission to appeal the Court of Appeal's December 2018 judgment in the McCloud and Sargeant cases. Provision has been made in the accounts for the estimated impact on the pension liability.

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.

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 judgements required for determining that it is fair, balanced and understandable.

Information for Members

Managers

Accounting Officer:

Richard Heaton, Permanent Secretary, Ministry of Justice, 102 Petty France, London, SW1H 9AJ

JPS Manager (delegated authority)

James McEwen, MoJ Group Finance Director, Ministry of Justice, 102 Petty France, London SW1H 9AJ.

Administrators & Advisers

Pension Administrators

Xafinity Punter Southall

Registered Office:

Phoenix House, 1 Station Hill, Reading, RG1 1NB – from 1 April 2019
11 Strand, London WC2N 5HR.- until 31 March 2019

Scheme Actuary:

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

Bankers:

The Government Banking Service, Southern House, 7th Floor, Wellesley Grove, Croydon, CR9 1WW.

Providers of external Additional Voluntary Contributions:

The Equitable Life Assurance Company - Walton Street, Aylesbury, Bucks HP21 7QW.

Prudential Plc - Laurence Pountney Hill, London EC4R 0HH.

Auditors

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

Appointing or Administering Bodies

As at 31 March 2019 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:

Judicial Pensions Scheme,
Judicial Pay and Pensions
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

Richard Heaton
Accounting Officer

Date: 15 July 2019

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 Schemes (JPS) as at 31 March 2019, and the movement in the scheme liability over the year 2018-19, prepared in accordance with the requirements of Chapter 9 of the 2018-19 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)

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 assessment has been carried out by calculating the liability as at 31 March 2016 (1993 scheme, 2015 scheme) and 31 March 2017 (2017 scheme) based on the data provided as at 31 March 2016 or 31 March 2017 and rolling forward that liability to 31 March 2019.

Membership data

Tables A to E summarise the 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 (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 (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 (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 2019 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 2019. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2019 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 2018 in the 2017-18 accounts.

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 2019	31 March 2018
	p.a.	p.a.
Nominal discount rate	2.90%	2.55%
Rate of pension increases	2.60%	2.45%
Rate of general pay increases	4.10%	3.95%
Rate of short-term general pay increase	n/a	n/a
Real discount rate in excess of:		
• Pension increases	0.29%	0.10%
• Long-term pay increases	(1.15%)	(1.35%)
Expected return on assets	n/a	n/a

The assessment of the liabilities allows for the known pension increases up to and including April 2019.

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%

These assumptions are the same as those adopted for the 31 March 2016 funding valuation of the scheme and the accounts as at 31 March 2018.

Mortality improvements are assumed to be in line with the latest 2016-based principal population projections for the United Kingdom published by the Office for National Statistics on 26 October 2017.

Liabilities

Table H summarises the assessed value as at 31 March 2019 of benefits accrued under the scheme prior to this date based on the data, methodology and assumptions described above. Please note the liabilities as at 31 March 2019 include an allowance for the additional liability potentially arising from the McCloud/Sargeant judgment. The corresponding figures for the previous year are shown for comparison.

Table H – Statement of Financial Position

	31 March 2019	31 March 2018
	£million	£million
Total market value of assets	nil	nil
Value of liabilities	4,791	4,620
Surplus/(Deficit)	(4,791)	(4,620)
of which recoverable by employers	n/a	n/a

Accruing costs

The cost of benefits accrued in the year ended 31 March 2019 (the current service cost) is assessed as 63.2% of pensionable pay.

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 2018-19 as a percentage of pensionable pay, and compares the total contributions with the current service cost assessed for the 2018-19 accounts.

Table I – Contribution rate

	2018-19 % of pay	2017-18 % of pay
Employer contributions (excluding expenses ²)	38.2%	38.2%
Employee contributions (average)	5.6%	5.3%
Total contributions	43.8%	43.5%
Current service cost (expressed as a % of pay)	63.2%	64.4%

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. 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 2018-19 was £350 million (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2018-19 (at 63.2% of pay) is assessed to be £221 million.

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

The current service cost of £221 million can be split as follows:

- Higher Judiciary: £104 million (47%)
- Lower Judiciary: £117 million (53%)

Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. GAD has been instructed by MoJ to include an allowance in the end of year liabilities shown in this report for the additional liability potentially arising from the McCloud/Sargeant judgment. This cost has been assessed as the cost of providing members with benefits in whichever scheme (relevant pre or post 2015 scheme) is of higher value over the four years to 31 March 2019. This approach reflects a remedy based on allocating members to a scheme at the balance sheet date, based on the accounting assumptions in force during 2018-19. Different approaches, based on other assumptions, or different forms of remedy (such as allocation based on cost assessed at individual's exit from service) may produce significantly different costs. The ultimate cost of this judgement would depend on the form of remedy, differences between earning and price increases, and individuals' future career paths.

I am not aware of any events that have led to a material settlement or curtailment gain or loss over 2018-19.

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 2019 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 2019 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 (excluding McCloud / Sargeant past service cost)		
Financial assumptions			
(i) discount rate*:	+0.5% p.a.	- 7.5%	- £340 million
(ii) (long-term) earnings increase*:	+0.5% p.a.	+ 1.0%	+ £50 million
(iii) pension increases*:	+0.5% p.a.	+ 6.5%	+ £300 million
Demographic assumptions			
(iv) additional 1 year increase in life expectancy at retirement		+ 3.5%	+ £160 million

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

In addition, the past service cost in respect of the McCloud judgment is highly sensitive to the gap between CPI inflation and the assumed rate of salary growth. Under the approach and remedy adopted, if the long-term salary growth assumptions were 0.5% pa lower, then the impact on the past service cost is expected to be a change of around -20% on the provision, around -£45 million. A 0.5% pa increase to the salary growth assumption would increase the estimated provision by 20%, around £45 million. Alternative forms of remedy may have different levels of sensitivity to these assumptions.

Michael Scanlon FIA
Deputy Chief Actuary
Government Actuary's Department
1 July 2019

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 net resource outturn, application of resources, changes in taxpayers' equity 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 financial statements, 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 judgements 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; and
- prepare the financial statements 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 pension scheme are set out in *Managing Public Money*, published by HM Treasury.

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 judgements required for determining that it is fair, balanced and understandable.

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 Group Finance Director, who is supported in this role by the Judicial Pay and Pensions (JP&P) 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 is 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, and
- manage them efficiently, effectively and economically.

In particular, governance is designed to safeguard against fraud and to minimise omissions and material errors in the payment of benefits and receipt of contributions from Appointing Bodies and JPS members.

The governance arrangements were in place for the JPS throughout the year ended 31 March 2019 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 Pensions Board (JPB)
- Judicial Pension Board Administration Committee (JPBAC)
- Judicial Pension Scheme Advisory Board (JPSAB)
- 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 (ExCo)
- MoJ Audit and Risk 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 from the MoJ the Scottish Government and the Department of Justice (Northern Ireland) and four judicial representatives.

The JPB exercises its responsibilities in relation to all the JPS as set out in its Terms of Reference. A copy of the Terms of Reference can be found 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 Administration (previously PS Administration Limited));
- 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 and a minimum of five members, including two members from the employer and scheme membership are required to form a quorum.

Highlights of Judicial Pension Board meetings can be found by visiting the website at: <https://www.gov.uk/government/groups/judicial-pension-board>.

Attendance at the meetings is shown below.

The JPB provides an annual report to the Scheme Manager to provide an 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 a periodic basis to ensure that all members are adequately meeting their duties. This is undertaken by the Independent Chair.

The Northern Ireland Judicial Pension Board (NIJPB) has scope over devolved judiciary in Northern Ireland. Under administrative arrangement with the MoJ, devolved members of JPS which 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.

Judicial Pension Board Administration Committee (JPBAC)

The Judicial Pension Board Administration Committee (JPBAC) oversee and review 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 JP&P and representatives from XPS; during 2018-19 the JPBAC met on the following dates:

- 11 June 2018
- 3 September 2018
- 4 December 2018; and
- 14 February 2019

Judicial Pension Scheme Advisory Board (JPSAB)

The JPSAB advises the Lord Chancellor on the desirability of making changes to the JPS. During the 2018-19 a temporary Sub-Group of the JPSAB was formed with the aim of participating in a detailed review of the 2016 actuarial valuation. The JPSAB Sub-Group met three times during November 2018 and January 2019.

JPSAB meets at the request of the Lord Chancellor. During 2018-19 the JPSAB, and JPB, both met on the following dates:

- 18 April 2018
- 23 October 2018
- 23 January 2019; and
- 20 March 2019

The JPSAB's Terms of Reference is published on the internet at <https://www.gov.uk/guidance/judicial-pension-scheme-advisory-board-terms-of-reference>.

Judicial Pension Scheme Finance Committee (JPSFC)

The JPSFC is responsible for the financial governance of the JPS and is chaired by the Head of Financial Reporting and Control. 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 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.

Judicial Pension and Scheme Advisory Board Attendance

The table below shows the attendance at those meetings taking place between 1 April 2018 and 31 March 2019.

Members	JPB	JPSAB
Independent Chair		
Jill Youds	4 of 4	4 of 4
Independent Members		
Russel Agius	4 of 4	4 of 4
Susan Andrews	3 of 4	3 of 4
Ellen Kelleher	4 of 4	4 of 4
Judicial Members		
His Honour Judge David Cooke	4 of 4	4 of 4
Mr Justice Tim Fancourt (from 23 October 2018)	2 of 3	3 of 3
The Honourable Mr Justice Nicholas Green (until 22 October 2018)	1 of 1	1 of 1
Employment Judge Elizabeth Heap (until 31 March 2019)	2 of 4	2 of 4
His Honour Judge Geoffrey Miller QC (until 23 January 2019)	3 of 3	3 of 3
Honourable Lady Morag Wise (from 24 January 2019)	1 of 1	1 of 1
Employer Members		
Jason Latham	4 of 4	4 of 4
Peter Luney (from 23 April 2018)	3 of 3	3 of 3
Caroline Patterson	3 of 4	3 of 4
Sarah Wallace	1 of 4	2 of 4

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

Pension and payroll administration

The JP&P team manage and monitor the performance of XPS under the contract. The Pension Technical Specialist within the MoJ continues to work with the JPS administrators, advisers and JPB to strengthen and develop the core contract management function and support the strategic and operational leadership for the JPS.

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, analysed, assigned to individual owners, monitored and reported at JPSFC; to support this work the JPB and JPAC regularly review the JPS risk register.

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

During 2018-19, the GIAA and MoJ defined the parameters for a detailed review of the salaried JPS; previous audits of this type were initiated by the XPS Internal Audit department as part of their audit framework. The audit of the salaried JPS will be completed during 2019-20, and a similar FPJPS audit will be scheduled. The GIAA salaried JPS audit will encompass prior audit findings and recommendations.

As part of its annual 3rd line operational assurance process, the MoJ and JPAC 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 BDO LLP.

From 25 May 2018, the JPS came into, and complies with the requirements of the General Data Protection Regulation, having aligned its procedures under the Regulation with those of the MoJ. One personal data issue was reported to the Information Commissioner's Office (ICO) during September 2018, the ICO responded that 'we do not consider this to be a reportable breach under [Article 33 of] the GDPR'. The case was closed, remedial action having been taken. There were no further reportable breaches.

There were no ministerial directions given nor significant lapses of data security during 2018-19.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the governance arrangements.

My review of these arrangements is informed by the work of the MoJ, Judicial Pension Board and the JPS Advisers & Administrators, who have responsibility for supporting the development and maintenance of the governance framework. In addition, recommendations made by both external and internal auditors are taken into consideration.

Conclusion

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 2018-19, which are published on the MoJ website.

Richard Heaton
Accounting Officer

Date: 15 July 2019

PARLIAMENTARY ACCOUNTABILITY

In addition to the primary statements prepared under IFRS, the FReM also requires the JPS 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.

Statement of Parliamentary Supply (Audited)

Summary of Resource and Capital Outturn 2018-19

Note	2018-19 Estimate			2018-19 Outturn			2018-19	2017-18
	Voted £'000	Non- Voted £'000	TOTAL £'000	Voted £'000	Non-Voted £'000	TOTAL £'000	Voted outturn compared with Estimate: saving/ (excess) £'000	Outturn TOTAL £'000
Departmental Expenditure Limit								
- Resource	-	-	-	-	-	-	-	-
- Capital	-	-	-	-	-	-	-	-
Annually Managed Expenditure - Resource	844,481	111,390	955,871	505,256	212,100	717,356	339,225	198,748
- Capital	-	-	-	-	-	-	-	-
Total Budget	844,481	111,390	955,871	505,256	212,100	717,356	339,225	198,748
Non-Budget - Resource								
Total	844,481	111,390	955,871	505,256	212,100	717,356	339,225	198,748
Total Resource	844,481	111,390	955,871	505,256	212,100	717,356	339,225	198,748
Total Capital	-	-	-	-	-	-	-	-
Total	844,481	111,390	955,871	505,256	212,100	717,356	339,225	198,748

Net cash requirement 2018-19

Note	2018-19 Estimate	2018-19 Outturn	2018-19	2017-18
	£'000	£'000	Outturn compared with Estimate: saving/ (excess) £'000	Outturn £'000
Net cash requirement	(69,745)	(86,330)	16,585	(78,574)

Administration costs 2018-19

Note	2018-19 Estimate	2018-19 Outturn	2017-18 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.

The notes on pages 28 to 30 form part of these accounts.

Notes to the Statement of Parliamentary Supply for the year ended 31 March 2019 (Audited)

SoPS 1. Net outturn

2018-19												2017-18 Outturn
Outturn							Estimate				Total	
Administration			Programme				Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements			
Gross	Income	Net	Gross	Income	Net	Total				£'000	£'000	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
Judicial Pension Scheme - Annually Managed Expenditure:												
Voted	-	-	-	664,460	(159,204)	505,256	505,256	844,481	339,225	339,225	95,748	
Non-voted	-	-	-	212,100	-	212,100	212,100	111,390	(100,710)	(100,710)	103,000	
Total	-	-	-	876,550	(159,204)	717,356	717,356	955,871	238,515	238,515	198,748	

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 the JPS has underspent against the Supplementary Estimate by £339m (voted expenditure). The main reasons for this are:

- Provision of £301m has been made in relation to fee-paid judicial office holders' litigation (O'Brien and Miller cases), a reduction of £249m from the amount allowed for in the estimates, due to continuing refinement of the methodology and assumptions used in the calculations;
- The past service cost of £230m, in relation to transitional protection litigation (McCloud case), has been split between voted (£122m) and non-voted (£108m) expenditure, where the estimate allowed for £200m in voted expenditure only. This led to an underspend in voted expenditure of £78m (and conversely a £108m overspend in non-voted expenditure).

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

		2018-19	2018-19	2018-19	2017-18
		Estimate	Outturn	Net Total Outturn compared with estimate: saving/ (excess)	
Note		£'000	£'000	£'000	£'000
	Resource outturn	955,871	717,356	238,515	198,748
	Accruals adjustments				
	Non-cash items – Current Service, Past Service and Interest costs	(357,000)	(570,000)	213,000	(347,000)
	Non-cash items – Contributions receivable directly by the Consolidated Fund	-	(114)	114	(91)
	Non cash items – Income attributable to Judiciary at the Corporation of London	-	148	(148)	129
	Changes in working capital				
	Increase/(decrease) in receivables	-	(1,349)	1,349	3,340
	(Increase)/decrease in payables	-	(1,907)	1,907	(373)
	Enhancements and transfers in	-	(4,621)	4,621	(4,781)
	Movements in provisions				
	O'Brien & Miller provision	14a (750,000)	(300,750)	(449,250)	-
	Use of pension provision	81,384	74,907	6,477	71,454
	Net cash requirement	(69,745)	(86,330)	16,585	(78,574)

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).

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).

	2018-19 Outturn		2017-18 Outturn	
	Income £'000	<i>Receipts</i> £'000	Income £'000	<i>Receipts</i> £'000
Excess cash receipts surrenderable to the Consolidated Fund	86,330	<i>86,330</i>	78,574	<i>78,574</i>
Total income payable to the Consolidated Fund	86,330	<i>86,330</i>	78,574	<i>78,574</i>

Parliamentary Accountability Disclosures (Audited)

Losses and special payments

There are no losses or special payments.

Remote contingent liabilities

There are no material remote contingent liabilities.

Richard Heaton
Accounting Officer

Date: 15 July 2019

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 Pensions Scheme for the year ended 31 March 2019 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. 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 those reports and disclosures 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 2019 and of its comprehensive 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 2019 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 of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK). 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 2016. I am independent of the Judicial Pensions Scheme in accordance with the ethical requirements that are relevant to my audit and 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

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Judicial Pensions Scheme's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Judicial Pension Scheme's internal

control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against 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.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Parliamentary Accountability disclosures described as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and 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, 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;
- in the light of the knowledge and understanding of the Judicial Pensions Scheme and its environment obtained in the course of the audit, I have not identified any material

misstatements in the annual report; 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.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

Date: 15 July 2019

National Audit Office
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London
SW1W 9SP

FINANCIAL STATEMENTS

Statement of Comprehensive Net Expenditure for the Year Ended 31 March 2019

		2018-19		2017-18	
	Note	£'000	£'000	£'000	£'000
Income					
Contributions receivable	3	(154,202)		(149,829)	
Other pension income	4	(876)		(853)	
Transfers in	7	(4,126)		(3,359)	
			(159,204)		(154,041)
Expenditure					
Current service cost	5	221,000		220,000	
Past service cost	5	230,000		-	
Pension financing cost	8	119,000		127,000	
Provisions	14a	300,750		-	
Enhancements & transfers in	6 & 7	4,621		4,781	
Payment to HMRC for JPS 2015 Scheme		313		155	
Administration expenses	9	876		853	
			876,560		352,789
Net Expenditure			717,356		198,748
Other Comprehensive Net Expenditure					
Recognised gains and losses for the financial year:					
Other actuarial re-measurement	14g		(250,000)		(85,000)
Total Comprehensive Net Expenditure for the year ended 31 March 2019			467,356		113,748

The notes on pages 39 to 55 form part of these accounts

**Statement of Financial Position
as at 31 March 2019**

		31 March 2019		31 March 2018	
	Note	£'000	£'000	£'000	£'000
Current Assets					
Receivables	11	12,586		13,935	
Cash and cash equivalents	12	<u>24,601</u>		<u>28,744</u>	
			37,187		42,679
Current Liabilities:					
Payables (within 12 months)	13	(32,729)		(34,965)	
Total current liabilities			<u>(32,729)</u>	<u>-</u>	<u>(34,965)</u>
Net current assets			4,458		7,714
Non-current liabilities					
Pension liability	14e		(4,791,026)		(4,619,651)
Provisions	14a		(300,750)		-
Net liabilities			<u>(5,087,318)</u>		<u>(4,611,937)</u>
Taxpayers' equity:					
General fund			(5,087,318)		(4,611,937)
			<u>(5,087,318)</u>		<u>(4,611,937)</u>

Richard Heaton
Accounting Officer

Date: 15 July 2019

The notes on pages 39 to 55 form part of these accounts

Statement of Changes in Taxpayers Equity for the Year Ended 31 March 2019

		2018-19	2017-18
	Note	£'000	£'000
Balance at 1 April		(4,611,937)	(4,498,066)
Consolidated Fund Standing Services:			
Pension payable by the Consolidated Fund		78,339	78,360
Contributions payable/(receivable) directly by the Consolidated Fund		114	91
HJ pension payments made by the Consolidated Fund		-	129
Income attributable to the Judiciary at the Corporation of London		(148)	(129)
CFERs payable to the Consolidated Fund		(86,330)	(78,574)
Comprehensive Net Expenditure for the year		(717,356)	(198,748)
Other actuarial re-measurement - gain/(loss)	14(g)	250,000	85,000
Balance at 31 March		(5,087,318)	(4,611,937)

The notes on pages 39 to 55 form part of these accounts

Statement of Cash Flows for the Year Ended 31 March 2019

		2018-19	2017-18
	Note	£'000	£'000
Cash flows from operating activities:			
Net expenditure for the year	SOCNE	(717,356)	(198,748)
Adjustments for non-cash transactions:			
Contributions payable/(receivable) by the Consolidated Fund		114	91
Income attributable to Judiciary at the Corporation of London		(148)	(129)
Movement in provisions – O'Brien and Miller	14a	300,750	-
Adjustment in respect of working capital		3,256	(2,967)
Increase in pension provision	5 & 8	570,000	347,000
Use of provisions – pensions payable by Vote	14f	(74,907)	(71,454)
Enhancements & transfers in	6 & 7	4,621	4,781
Net increase in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund		86,330	78,574
Payment of amounts due to the Consolidated Fund – current year		(62,329)	(50,212)
Payment of amounts due to the Consolidated Fund – prior year		(28,193)	(25,042)
Increase in cash held on behalf of the Consolidated Fund	13	49	66
Net increase in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund		(4,143)	3,386
Cash and cash equivalents at the beginning of the year	12	28,744	25,358
Cash and cash equivalents at the end of the year	12	24,601	28,744

The notes on pages 39 to 55 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 2018-19 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 International Financial Reporting Standards, 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 Pension 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 now known as Xafinity Punter Southall Administration Limited (XPS Group), formerly PS Administration Limited (PSAL), and prior to that Punter Southall Limited, since 4 January 2015. It is open to members of the Judiciary who satisfy the membership criteria.

Contributions to the JPS by employers and members are set at rates determined by the Government Actuary's Department (GAD) and approved by the JPS Board. 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 and reported in that entity's financial statements (note 2.1.13 refers).

The financial statements of the Scheme show the financial position of the Judicial Pension Scheme 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 2019 shows a pension liability of £4,791m (2017-18: £4,620m). 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 sector 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 2019-20 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 International Financial Reporting Standards (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 policy that has 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.

Widow(er) Pension Scheme (WPS) contributions under the 1993 Act are accounted for on an accruals basis. Under the 1981 Act, members could elect to pay WPS contributions 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 WPS contributions for the period of service when they had no dependents. 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 (PPCs) 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 (WPS) 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. This scheme approximates the 1993 Scheme as closely as possible and includes the WPS 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 Ministry of Justice (MoJ) is the manager of the JPS. Within the 38.45% Accruing Superannuation Liability Charges (ASLCs) received from Appointing Bodies is a 0.25% administration fee recognised as other pension income in these accounts. The ASLC contribution rate has increased to 51.35% from 1st April 2019, again including a 0.25% administration fee.

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 63.2% 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.

In these accounts, a past service cost has been recognised in relation to the potential increase in the pension liability arising from the ongoing McCloud/Sargeant litigation. Further information is set out in Note 5.

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 2.55% (2017-18 2.80%) is consistent with the assumptions used for current service costs (2.1.4 above).

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 2018-19 is 0.29% per annum real (2017-18: 0.10%). The valuation takes account of the overnight change in the Scheme's liabilities as a result of the change in the discount rate to 0.29% real as at 31 March 2019. Such changes are recognised in the Statement of Comprehensive Net Expenditure for the year as advised by HM Treasury.

In the past full actuarial valuations by a professionally qualified actuary have been obtained at intervals not exceeding four years with interim valuations every two years. The last full valuation was carried out as at 31 March 2016. The report on the funding valuation was dated 5 March 2019.

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.

In these accounts, a new provision has been recognised in relation to potential liabilities arising from the O'Brien and Miller litigation. Further information is set out in Note 14(a).

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 a member of the JPS is entitled only to a refund of contributions, the transaction is accounted for as a decrease in the scheme liability on an accruals basis.

2.13 Lump sums payable on death in service (or death in early retirement)

Lump sum payments payable on death in service or in early retirement are accounted for on an accruals basis. They are a direct charge to the pension provision, as they are funded through the normal pension contributions.

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

Prior to 5 January 2015 the administration of the JPS was carried out by staff from the Judicial Pay and Pensions Team, part of the Judicial Policy, Pay and Pensions Directorate of the Ministry of Justice. The costs of the JP&P team are paid by the MoJ.

From 5 January 2015 scheme administration has been carried out by PS Administration Limited (PSAL), an external service provider. Following the merger of Xafinity and PSAL in January 2018 Xafinity Punter Southall (XPS) became the Scheme Administrator for the JPS. XPS operate governance and internal control arrangements, which are independently audited on an annual basis. The costs of XPS are paid by the MoJ.

The JPS is authorised by HM Treasury to pay the MoJ 0.25% of the 38.45% Accrued Superannuation Liability Charges (ASLC) received. In 2018-19 this amounts to £876k (2017-18: £853k). The payments have been reported in 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 Accounting standards coming into effect

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been adopted by the FReM and so are now effective for 2018-19 public sector reporting. The JPS does not have any significant financial instruments or contracts with customers so neither standard is applicable to the Scheme.

2.18 Accounting standards issued but not effective

IFRS 16: Leases is not yet effective for public sector reporting. The JPS does not have any leases and therefore this standard is not expected to have any impact on the accounts.

2.19 Significant judgements and estimates

Provisions rely on the application of professional judgement, historical experience and other factors expected to influence future events. The provision balances recognised in these accounts are derived from financial models based on the best available data, including actual fee-paid service records, previous pension claims and historic records of office holders, which have been evaluated and reviewed. 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 the liabilities represented by these provisions may differ significantly from the values recognised in these accounts. Further information including the carrying amount of the provision is set out in Note 14(a).

3. Pension contributions receivable

	2018-19	2017-18
	£'000	£'000
Employers; appointing bodies:		
Accruing Superannuation Liability Charges (ASLCs)	133,857	130,366
Employees; Judicial Office-holders:		
Normal contributions: Pension Contributions	19,465	18,041
Purchase of Added Years: internal JPS AVC's only	880	1,422
	<u>154,202</u>	<u>149,829</u>

Employees' pension contributions include both personal and widow(er)s' contributions.

Contributions payable to the JPS in 2019-20 are expected to be £191m, the increase being caused by a change in the employers' contribution rate from 38.45% to 51.35% from 1 April 2019.

4. Other Pension Income

	2018-19	2017-18
	£'000	£'000
Administration fees receivable from appointing bodies	876	853
	<u>876</u>	<u>853</u>

5. Current and Past Service Costs

	2018-19	2017-18
	£'000	£'000
Current service cost: (see note 14e)		
Judiciary paid from the JPS Estimate and pension increases for all Judiciary	117,000	117,000
Judiciary paid from the Consolidated Fund (notional expenditure)	104,000	103,000
Past service cost:		
Paid from the JPS Estimate	121,900	-
Paid from the Consolidated Fund (notional expenditure)	108,100	-
	<u>451,000</u>	<u>220,000</u>

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 2018-19 pension cost has been allocated at 53% Vote and 47% non-Vote (2017-18: 53% Vote and 47% non-Vote).

The past service cost for 2018-19 is in relation to a legal case which might result in the need to provide a remedy in respect of transitional protection introduced as part of public service pension reforms in 2015.

6. Enhancements

	2018-19 £'000	2017-18 £'000
Employees:		
Purchase of added years	495	1,422
	495	1,422

7. Transfers in – additional liability

	2018-19 £'000	2017-18 £'000
Individual transfers from other schemes	4,126	3,359
	4,126	3,359

8. Pension financing cost

	2018-19 £'000	2017-18 £'000
Net interest on defined pension liability (see note 14e)	119,000	127,000
	119,000	127,000

9. Administration Expenses

	2018-19 £'000	2017-18 £'000
Administration expenses paid to the MoJ	876	853
	876	853

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, The Equitable Life Assurance Company 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:

	Equitable Life		Prudential	
	2018-19	2017-18	2018-19	2017-18
	£'000	£'000	£'000	£'000
Movements in the year				
Balance at 1 March / 1 April	76	70	3,912	4,113
New investments	2	2	242	336
Leavers, transfers & withdrawals	-	-	-	-
Sales of investments to provide pension benefits	-	-	(1,098)	(625)
Changes in market value of investments	1	4	213	88
Balance at 28 February / 31 March	79	76	3,269	3,912
Contributions received to provide life cover	-	-	-	-

Note: The figures from Equitable Life cover the 12 month period from 01/03/18 to 28/02/19 whereas the figures from Prudential cover the 12 month period from 01/04/18 to 31/03/19.

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 arrangements are as follows:

- The Judicial Added Benefits Scheme (JABS) (for 1981 Act members only). JABS enable members to increase the level of benefits payable from their main Judicial Pension Scheme.
- The Judicial Added Years Scheme (JAYS) (for 1993 Act members only). JAYS enable members of the 1993 Scheme to increase the length of service and the benefits at retirement.
- The Judicial Added Surviving Spouse’s Pension Scheme (JASSPS) (for 1993 Act members only). JASSPS enable members to make contributions that will increase only the level of the contingent surviving spouse’s 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. These are:

- 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 TM Treasury.

- **Effective Pension Age Option.** Members may make periodical payments throughout their service to attain a pension age of any of up to three years below the member's normal pension age, provided that 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 (Fee-Paid Judicial Pension Scheme) 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 Xafinity Punter Southall (XPS) within one year of the commencement of the FPJPS on 1 April 2017. 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 members of 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 2018-19 £74,660.05 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	2018-19	2017-18
	£'000	£'000
Pension contributions due from appointing bodies:		
Accruing Superannuation Liability Charges (ASLCs), including administration fees	10,807	10,664
Pension contributions due from Judicial Office-holders:		
Normal contributions -Personal Pension Contributions (PPCs)	1,644	1,556
Purchase of Added Years: internal JPS AVC's only	44	26
Transfer in from Residential Property Tribunal	-	1,566
Overpaid pensions & Other debtors	52	85
Ex-gratia payments due from MoJ	39	38
	12,586	13,935

12. Cash and cash equivalents

	2018-19	2017-18
	£'000	£'000
Balances as at 1 April	28,744	25,358
Net change in cash balances	(4,143)	3,386
Balance at 31 March	24,601	28,744
The following balances at 31 March were held at:		
Government Banking Service	24,601	28,744
	24,601	28,744

13. Payables – in respect of pensions

Analysis by type

Amounts falling due within one year	2018-19	2017-18
	£'000	£'000
Death in service and early retirement payments	30	129
Tax due to HM Revenue and Customs	6,641	5,065
Pension arrears	14	16
Other creditors	1,157	650
Lump sums	42	-
Contribution refunds	10	-
Administration charges due to Ministry of Justice	234	361
Total payables excluding CF creditor	8,128	6,221
Extra receipts due to the Consolidated Fund	24,001	28,193
Non-JPS cash held on behalf of the Consolidated Fund	600	551
	32,729	34,965

14. Provisions for pension liability

14 (a) Provision for judges' pension entitlements

In November 2018, 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 Worker Regulations should have been transposed into domestic law) must be taken into account. Judgment is awaited from the Supreme Court in Summer 2019 on a related case concerning the operation of time limits to make a claim: this may result in additional successful claims for a fee-paid pension.

Pending the outcome in the latter case, any necessary changes to legislation and detailed actuarial valuation, a new provision has been recognised for the estimated increase in future pension benefits payable as a result of these cases. There is very limited data available on fee-paid judges' service prior to 7 April 2000, and therefore estimates are based upon extrapolation from the post-2000 service of those judges thought to have eligible pre-2000 service.

A liability has been raised in the Ministry of Justice Annual Report and Accounts 2018-19 (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. The provision recognised here is for the longer-term impact on the JPS liability.

The key assumptions used are that patterns of service for eligible fee paid judicial office holders pre-2000 are similar to those post-2000; that any new claimants will have similar service patterns to judges already in the fee paid scheme; and that there is a reliable relationship between service days and the amount of the pension liability. 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.

Using current assumptions, if pre-2000 service days are 10% higher (or lower) than estimated, the liability would be increased (or decreased) by £14m. If there are 10% more (or fewer) eligible claimants than estimated, the liability would be increased (or decreased) by £19m. Sensitivities to discount rate, earnings and demographic assumptions are similar to those for the overall pension liability (paragraph 14(d) below).

	2018-19	2017-18
	£'000	£'000
Balance as at 1 April	-	738,127
Transfer to pension liability	-	(738,127)
Provided in the year – fee-paid judges pension liability	300,750	-
Balance at 31 March	300,750	-

The provision is not, at this stage, included in the overall pension liability for the scheme as it is management current best estimate based on incomplete data. As further data becomes available and is verified, a revised liability will be determined on an actuarial basis. The value of the liabilities represented by this provision may therefore change significantly over future accounting periods. The provision will be amalgamated into the overall scheme liabilities once there is sufficient underlying data to provide a reliable actuarial estimate of the value of the long-term benefits payable.

14 (b) Assumptions underpinning the provision for pension liability

The Judicial Pension Scheme is an unfunded defined benefit scheme. The Government Actuary's Department 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.

Following consultation with the actuary, the key assumptions that should be used to value the JPS liabilities, ensuring that the assumptions are mutually compatible and – with the exception of the discount rate (see note 2.1.6) - reflect a best estimate of future experience.

The major assumptions used by the actuary were:

	At 31 March 2019	At 31 March 2018	At 31 March 2017	At 31 March 2016	At 31 March 2015
Rate of increase in salaries	4.10%	3.95%	4.55%	4.2%	4.2%
Rate of increase in pensions in payment and deferred pensions	2.60%	2.45%	2.55%	2.2%	2.2%
Inflation assumption	2.60%	2.45%	2.55%	2.2%	2.2%
Nominal discount rate	2.90%	2.55%	2.80%	3.60%	3.55%
Discount rate net of price inflation	0.29%	0.10%	0.24%	1.37%	1.3%
Mortality rates at aged 60 (life expectancy in years)					
Current retirements					
Females	31.4	31.3	31.9	31.8	32.5
Males	29.7	29.6	30.4	30.2	30.5
Retirements in 15 years time					
Females	33.0	32.9	33.5	33.4	34.2
Males	31.2	31.1	32.0	31.9	32.3

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.

14 (c) Analysis of the pension liability

	March 2019	March 2018	March 2017
	£m	£m	£m
Liability relating to pensioners in payment	1,681	1,733	1,765
Liability relating to deferred pensioners	28	29	28
Liability relating to active members	3,082	2,858	1,972
Scheme liability at 31 March	4,791	4,620	3,765

A valuation of the scheme as at 31 March 2016 has just been completed which has resulted in an increase in employer contribution rate from 38.2% to 51.1% 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 2018. This is the professional judgement of the actuary based on the information provided by the Scheme Administrator (see the Report of the Actuary pages 14-19).

The assessment of the liabilities is reliable to the extent that the assumptions are reasonable, which I consider 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(g). 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. The most significant assumptions are the discount rate, general earnings increases and pension increases (currently based on CPI). A key demographic assumption is pensioner mortality.

In recognition of this uncertainty GAD have indicated the approximate effects on the actuarial liability as at 31 March 2019 of changes to the most significant actuarial assumptions (rounded to the nearest 0.5%). The table below shows the indicative effects on the total liability as at 31 March 2019 of changes to these assumptions.

Sensitivity to significant assumptions

Change in assumption *	Approximate effect on total liability (excluding McCloud / Sargeant past service cost)		
Financial assumptions			
(i) discount rate*:	+0.5% p.a.	- 7.5%	- £340 million
(ii) (long-term) earnings increase*:	+0.5% p.a.	+ 1.0%	+ £50 million
(iii) pension increases*:	+0.5% p.a.	+ 6.5%	+ £300 million
Demographic assumptions			
(iv) additional 1 year increase in life expectancy at retirement		+ 3.5%	+ £160 million

* Opposite changes

The sensitivity analysis is discussed further in the Report of the Actuary on pages 18 and 19 of these accounts.

14 (e) Analysis of movement in scheme liability

	Note	2018-19 £'000	2017-18 £'000
Scheme liability at 1 April		4,619,651	3,764,557
Amalgamation of the fee-paid judges provision		-	738,127
Current service cost	5	221,000	220,000
Past service cost	5	230,000	-
Pension financing cost	8	119,000	127,000
Enhancements & transfers in	6 & 7	4,621	4,781
Pension benefits payable	14(f)	(153,246)	(149,814)
Other re-measurement - (gains)/losses	14(g)	(250,000)	(85,000)
Scheme liability at 31 March		4,791,026	4,619,651

During the years ended 31 March 2019 and 31 March 2018, employers' contributions represented 38.45% 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.

Employers' contributions have increased to 51.35% in 2019-20.

From 1 April 2012 employees' contributions included personal pension contributions (PPCs) of 1.28%. From 1 April 2013 personal contributions were doubled to 2.56% and from 1 April 2014 they were increased to 3.2%.

From 1 April 2015 the PPC's and the spouse/civil partner contributions were combined: where the annual rate of pensionable earnings were less than £150,000 the combined contribution rate was 4.41% of net salary; where the annual rate of pensionable earnings exceeded £150,000 the contribution rate was 4.43%. From 1 April 2015 fee-paid judges joined the scheme. The combined contributions of these fee-paid judges varied from 4.6% to 8.05% of gross salary depending on the annual rate of pensionable earnings. From 1 April 2017 members of the Fee-Paid Judicial Pension Scheme (FPJPS) paid PPC's at the same rates as JUPRA members.

The 2018-19 personal pension contribution rates have remained the same in 2019-20.

14 (f) Analysis of benefits paid

	2018-19		2017-18	
	£'000	£'000	£'000	£'000
Members – Base pensions	39,560		37,491	
Members – Pensions increase	17,262		15,149	
Members – Lump sum on retirement	8,640		11,673	
Dependants – Base pensions	2,844		2,218	
Dependants – Pensions increase	5,346		4,818	
Dependants – Lump sum on death of members	1,255		105	
Pension benefits payable from Supply		74,907		71,454
Members – Base pensions	61,270		58,564	
Members – Lump sum on retirement	8,253		10,764	
Dependants – Base pensions	7,491		6,929	
Dependants – Lump sum on death of member	1,325		2,103	
Pension benefits payable from Consolidated Fund		78,339		78,360
Total pension benefits payable charged against provision		153,246		149,814

14 (g) Analysis of other re-measurements

	2018-19	2017-18
	£'000	£'000
Experience gains/(losses) arising on the scheme liabilities	105,000	35,000
Gains/(losses) resulting from changes in assumptions underlying the present value of scheme liabilities	145,000	50,000
Per Statement of Changes in Taxpayers Equity	250,000	85,000

14 (h) History of experience gains and losses

	2018-19	2017-18	2016-17	2015-16	2014-15
	£'000	£'000	£'000	£'000	£'000
<i>Experience gains/(losses) on scheme liabilities:</i>					
Amount	105,000	35,000	24,000	32,000	84,000
Percentage of the present value of the scheme liabilities at the balance sheet date	(2.19%)	(0.76%)	(0.64%)	(1.04%)	(2.69%)
<i>Total other re-measurement - gains/(losses):</i>					
Amount	250,000	85,000	(549,000)	180,000	(39,000)
Percentage of the present value of the scheme liabilities at the balance sheet date	(5.22%)	(1.84%)	14.58%	(5.84%)	1.25%

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 sector scheme of a similar size. The majority of 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

There is continuing litigation regarding the pension liability for fee paid judges. Following the judgment of the Court of Justice of the European Union (CJEU) in December 2018, it has been determined that additional pension benefits are payable to eligible fee paid judges in respect of service incurred prior to the date (7 April 2000) that the Part-Time Worker Directive should have been transposed into domestic law. Judgment is awaited from the Supreme Court in Summer 2019 on a related case concerning the operation of time limits to make a claim. Provision has been made for the potential liabilities arising from both of these cases (see note 14(a)), however it was not possible to estimate the total number of additional claimants who may be eligible for a remedy, subject to the outcome of the Supreme Court case. There is therefore a further potential liability, in addition to the provision recognised, which cannot be quantified at this stage.

Ministry of Justice is currently involved in litigation activity as the defendant in relation to an employment dispute. The MoJ and Judicial Pension Scheme have not disclosed all the information that is normally required under IAS 37, on the basis that the ongoing dispute process is subject to confidentiality. The potential cost of this has not been quantified as it would require an actuarially-based valuation which is not currently possible due to uncertainty over the impact of the dispute.

17. Related party transactions

The Judicial Pension Scheme does not fall within the ambit of the Ministry of Justice, as it obtains Parliamentary approval for its resources under a separate Supply Estimate. The Ministry of Justice 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 Ministry of Justice 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 Ministry of Justice 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

On 27 June 2019, the Supreme Court refused the Government permission to appeal the Court of Appeal's December 2018 judgment in the McCloud and Sargeant cases. Provision has been made in the accounts for the estimated impact on the pension liability, as outlined at Note 14(a).

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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