Judicial Pensions Scheme
Annual Report and Accounts
2019-20

(For the year ended 31 March 2020)

HC 540

Judicial Pensions Scheme

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Presented to the House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000

Ordered by the House of Commons to be printed on 21 July 2020

HC 540

This is part of a series of departmental publications which, along with the Main Estimates 2019-20 and the document Public Expenditure: Statistical Analyses 2018, present the Government's outturn for 2019-20 and planned expenditure for 2020-21

This publication is available at: www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at Ministry of Justice, 102 Petty France, London SW1H 9AJ.

ISBN 978-1-5286-1825-0

CCS0320312930 07/20

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

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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 participated in a scheme established under the Judicial Pensions and Retirement Act 1993 (JUPRA) when initially appointed. Current scheme membership is determined by the JPS 2015 transitional protection provisions (see below).

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 remain in their current JPS.

Those with tapering transitional protection, under these Regulations, had a choice of moving to JPS 2015 on 1 April 2015 or at the end of their taper period.

Unprotected members, including all judges appointed on or after 1 April 2012 and younger judges appointed before that date, moved to JPS on 1 April 2015.

The transitional protections were found to constitute unlawful discrimination in McCloud v MoJ. MoJ is due to consult on proposals to address the discrimination identified in the McCloud judgment. The process by which members tapered into JPS 2015 was suspended during November 2019, following the McCloud judgment.

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 40/80th 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 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 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 (HMRC) earnings cap (the 'notional' earnings cap), multiplied by the number of years of reckonable service, up to a maximum of 20 years. Retirement benefits are payable from age 65 years subject to having completed five years' pensionable service.

A top-up scheme operates to provide pension benefits for JUPRA members in respect of salaries above the notional earnings cap. The 2019-20 notional earnings cap was £166,220 (2018-19: £160,800).

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 schemes 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 is designed to largely offset the tax due on the retirement lump sum. Judicial service awards are accounted for in the Ministry of Justice (MoJ) accounts.

Spouses' and civil partners' 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.

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.

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 to the member's State Pension age (SPa).

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

JPS 2015 also provides for a surviving adult's pension at 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.

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 broadly 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. Service in salaried offices that is pensionable under JUPRA is also taken into account for the reckonable service cap. 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 lump sum equal to twice the amount of the member’s pensionable pay.

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 five AVC facilities within the JPS. These are the Judicial Added Benefits Scheme, the Judicial Added Years Scheme and the Surviving Spouse’s Pension Scheme, and their fee-paid equivalents the Fee-Paid Judicial Added Years Scheme and the Fee-Paid Judicial Added Surviving Adult’s Pension Scheme. The first three arrangements were closed to new subscribers with effect from 6 April 2006. Membership of the two fee-paid AVC arrangements is open to members of FPJPS who held an eligible fee-paid judicial office before 6 April 2006.

FPJPS members may only make contributions to the Fee-Paid Judicial Added 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 Utmost Life and Pensions Limited (transferred from 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 the 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 51.35% of pensionable pay for 2019-20 (2018-19: 38.45%); this includes an administration charge of 0.25%.

In 2019-20 pension contributions for members varied between 2.76% and 8.05% dependent upon the annualised rate of pensionable earnings. Contributions to the JPS by employers are set at rates determined by the Government Actuary's Department (GAD) and approved by the MoJ in conjunction with the Judicial Pension Board. Contributions to the JPS by members are paid at rates set out in secondary legislation. The contributions partially fund payments made by the JPS, the balance of funding being provided by Parliamentary Vote, through the Annual Supply Estimates process, and directly from the Consolidated Fund.

The contribution rates for members of the JPA 1981, JUPRA and FPJPS schemes are lower than JPS 2015 rates to take account of tax relief not being applicable. This contribution incorporates Dependants' Pension Contribution (DPC) 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 2020:

(a) for a pension which began before 8 April 2019, the annual rate of increase is 1.7% (2018: 2.4%); and;
(b) for a pension which began on or after 9 April 2019, the annual increase of 1.7% is pro-rated.

Discount Rate

Since 2006 the discount rate for pensions has been reviewed annually, using market conditions. On 6 December 2019 HM Treasury announced in PES (2019) 11 that the discount rate for pension liabilities would change from 0.29% to (0.5%) in real terms with effect from 31 March 2020.

Financial Position

At 31 March 2020 the JPS had long-term liabilities of £5,755m (31 March 2019: £5,092m). The scheme liability has therefore increased by £663m.

Overall in 2019-20 the JPS has underspent against the Supplementary Estimate by £295m (voted expenditure only). The main reasons for this are:

- A past service cost of £99m (originally expected to be accounted for as a provision) has been made in relation to fee-paid judicial office holders' litigation (O'Brien and Miller cases), a reduction of £231m from the £330m allowed for provisions in the estimates. A number of other potential liabilities have not crystallised.
- The past service cost relating to transitional protection litigation (McCloud case) has been reduced by £21m (voted element only), due to clarification of the proposed changes (subject to consultation). The current service cost (voted element only) is lower than expected by £36m, largely for the same reason.

The key figures of interest cost and current service cost (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 the risk of an excess vote.

Interest cost of £139m for 2019-20 is higher than the previous year (£119m). The interest cost is calculated by applying the gross discount rate to the liability at 31 March 2019 of £4,791m. The gross discount rate has increased from 2.55% at 31 March 2018 to 2.90% at 31 March 2019 which, along with the increase in the pension liability over the year, has the effect of increasing the interest cost. The interest charge is broadly in line with the supplementary estimate of £142m, which included a contingency of £1m.

The CSC is primarily driven by applying the cost of pensions earned by active members over the year to the annual payroll figure. CSC has increased from £221m in 2018-19 to £259m in 2019-20. This is due to the allowance for the higher cost of benefits accruing in future because of the McCloud judgment, which is partially offset by the increase in discount rate net of CPI inflation between 31 March 2018 (0.10%) and 31 March 2019 (0.29%), reducing the service cost. The outturn was below the supplementary estimate figure of £315m, due both to clarification of the proposed changes and the more prudent approach adopted for the estimates. The estimate figure included a contingency of £15m.

Overall the Scheme has recorded an actuarial loss of £365m for 2019-20 (£250m gain in 2018-19). This mainly resulted from a loss of £436m due to changes in assumptions: a decrease in the nominal discount rate from 2.90% to 1.80% which has the effect of increasing liabilities; partially offset by a decrease in the assumed rate of pension increases from 2.60% p.a. to 2.35% p.a., and changes in demographic assumptions from using the latest population projections published by ONS (2016 to 2018 projections), both of which serve to reduce liabilities.

The loss from changes in assumptions was partially offset by an experience gain of £71m, primarily due to the April 2020 pensions increases being lower than expected (£13m) and the pensionable pay increase also being lower than expected (£47m).

The changes to past and current service costs in relation to McCloud have also resulted in a £39m underspend against the non-voted budget.

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.

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

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

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

Key Developments in the year

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 Work Directive should have been transposed into domestic law) must be taken into account (O'Brien).

In December 2019, the Supreme Court ruled that the time limit for making a pension claim under the Part-Time Worker Regulations runs from the date of retirement from all judicial offices; this judgment increased the number of appellants entitled to bring a claim for a fee-paid pension (Miller).

The MoJ is consulting upon proposals to amend the FPJPS, to provide pension benefits for eligible O'Brien and Miller claimants. The MoJ began making payments in lieu of pension to O'Brien claimants during the year, and will continue to do so until the necessary changes to regulations can be implemented; payments to Miller claimants will begin in the next financial year.

O'Brien and Miller payments in lieu of pension cannot be paid by the JPS, and will therefore be paid by the MoJ and accounted for in the MoJ Annual Report and Accounts from 2019-20. There will be a longer-term, ongoing impact on the JPS liability.

In the accounts for 2018-19, both MoJ and the JPS recognised provisions for their respective estimated liabilities in relation to these cases. In these accounts, the provision has been rolled into the overall pension liability and increased by £99m, due to clarification of the methodology to be used in calculating pensions for pre-2000 service, and further work having been undertaken on the expected number of new claimants.

Transitional protection claims (McCloud/Sargeant):

In December 2018, the Court of Appeal upheld an Employment Appeal Tribunal decision that the JPS 2015 transitional protection provisions were unlawful on grounds of age discrimination (McCloud).

The Supreme Court issued a decision in June 2019 rejecting the Government's application for permission to appeal, and the Government has set out its intention to remedy the discrimination across all public service schemes.

During the year some JPS 2015 members have either returned to, or did not taper out of, JUPRA and as a result have continuous JUPRA pensionable service. The MoJ intends to consult upon scheme changes to address the discrimination identified in McCloud.

In line with other schemes, the JPS has considered the potential impact of the outcome on the scheme and, as a result, recognised a past service cost of £230m in the accounts for 2018-19.

The government published a consultation on proposed changes on 16 July 2020. Based on this, the past service cost has been recalculated, resulting in a £40m adjustment (reduction) in this year's accounts. The current service cost in 2019-20 allows for the higher expected cost of accrual arising from this case.

However, the parties in the litigation continue to discuss how outstanding issues, for example member contributions and options, should be handled, and further clarity may depend on the outcome of the pecuniary losses hearings, scheduled for October 2020. Furthermore, the final approach for non-claimants is subject to responses from the consultation. Therefore, at this stage the timing and detailed nature of any changes to schemes have not been agreed.

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

COVID-19

The JPS has considered the impact of the COVID-19 outbreak on the pension liability. As outlined in the Report of the Actuary, it is too early to speculate on any potential long-term effects of the pandemic, on either future economic/salary growth or mortality rates; therefore at this stage no amendments have been made to the assumptions underpinning the liability. This will be reviewed ahead of the 2020-21 accounts.

Membership Statistics

JUPRA schemes (salaried)	Active members	Active salary link members	Deferred members	Pensioner members	Total membership
Members at 31 March 2019	896	706	40	2,498	4,140
New joiners (incl. late notifications)	9				9
Transferred to active, following McCloud judgment	180	(180)			0
Members who became true deferred	(3)		3		0
Leavers entitled to deferred pension	(33)	33			0
Members who retired (incl. pension credit)	(146)	(6)	(2)	154	0
Members who died	(1)			(89)	(90)
New spouse and children's pensions				39	39
Pensions ceased/suspended	(1)			(4)	(5)
Other adjustments				(1)	(1)
Members at 31 March 2020	901	553	41	2,597	4,092

JPS 2015 (salaried and fee-paid)	Active members	Active salary link members	Deferred members	Pensioner members	Total membership
Members at 31 March 2019 (restated)	3,355	133	23	18	3,529
New joiners (incl. late notifications)	948	24	1		973
Active members reinstated to JUPRA, following McCloud judgment	(181)				(181)
Members who became true deferred	(6)		6		0
Leavers entitled to deferred pension	(113)	113			0
Members who retired (incl. pension credit)	(5)			5	0
Leavers opting out - no liability	(1)				(1)
Members who died	(1)				(1)
New spouse and children's pensions				2	2
Members at 31 March 2020	3,996	270	30	25	4,321

Fee-Paid Judicial Pension Scheme 2017	Active members	Active salary link members	Deferred members	Pensioner members	Total membership
Members at 31 March 2019 (restated)	2,029	2,155	233	1,311	5,728
New joiners	26				26
Members who became true deferred	(3)	(4)	7		0
Leavers entitled to deferred pension	(32)	32			0
Members who retired (incl. pension credit)	(100)	(8)	(1)	109	0
Members who died	(5)	(1)	(1)	(11)	(18)
New spouse and children's pensions				9	9
Pensions ceased/suspended				(2)	(2)
Members at 31 March 2020	1,915	2,174	238	1,416	5,743

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 (2018-19: £nil).

The notional cost for the audit of these financial statements in 2019-20 is £51,000 (2018-19: £51,000) and is accounted for in the MoJ Annual Report and Accounts 2019-20.

Events after the reporting period

The JPS 2015 and FPJPS member contribution rates were amended from April 2020 by The Judicial Pensions and Fee-Paid Judges' Pension Schemes (Contributions) (Amendment) Regulations 2020, a copy of which can be found at:

http://www.legislation.gov.uk/ukdsi/2020/9780111192184

On 16 July 2020, the government published a consultation on changes to public service pensions to address the discrimination arising from the transitional protection arrangements that were introduced when the schemes were reformed in 2015 – the impacts of the proposed changes have been reflected in these accounts, in the pension liability and the current and past service costs.

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

Statement on the disclosure of relevant audit information

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

Accounting Officer Confirmation

I confirm that the Annual Report and Accounts are fair, balanced and understandable and I take personal responsibility for the Annual Report and Accounts and the 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, Phoenix House, 1 Station Hill, Reading, RG1 1NB

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

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

Providers of external Additional Voluntary Contributions:
Utmost Life and Pensions Limited - 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 2020 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: 17 July 2020

REPORT OF THE ACTUARY

Introduction

This statement has been prepared by the Government Actuary's Department (GAD) at the request of the Ministry of Justice (MoJ). It provides a summary of GAD's assessment of the scheme liability in respect of the Judicial Pension Scheme (JPS) as at 31 March 2020, and the movement in the scheme liability over the year 2019-20, prepared in accordance with the requirements of Chapter 9 of the 2019-20 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 and earlier schemes, 2015 scheme) and 31 March 2017 (2017 scheme) based on the data provided as at 31 March 2016 and 31 March 2017 and rolling forward that liability to 31 March 2020.

Membership data

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Methodology

The present value of the liabilities as at 31 March 2020 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 2020. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2020 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 2019 in the 2018-19 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 2020 p.a.	31 March 2019 p.a.
Nominal discount rate	1.80%	2.90%
Rate of pension increases	2.35%	2.60%
Rate of general pay increases	4.10%	4.10%
Rate of short-term general pay increase	n/a	n/a
Real discount rate in excess of:		
• Pension increases	(0.5%)	0.29%
• Long–term pay increases	(2.2%)	(1.15%)
Expected return on assets	n/a	n/a

The assessment of the liabilities allows for the known pension increases up to and including April 2020.

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 in table G above are the same as those adopted for the 31 March 2016 funding valuation of the scheme and the accounts as at 31 March 2019.

For the 2018-19 accounts, future improvements in mortality were assumed to be in line with the 2016-based principal population projections published by the Office for National Statistics (ONS). Mortality improvements are now assumed to be in line with the latest 2018-based projections for the United Kingdom published by the ONS in October 2019, which leads to a reduction in life expectancies.

Liabilities

Table H summarises the assessed value as at 31 March 2020 of benefits accrued under the scheme prior to this date based on the data, methodology and assumptions described in paragraphs 4 to 11. The corresponding figures for the previous year are shown for comparison. The liabilities at 31 March 2019 and 2020 both include an allowance for the higher cost of benefits accruing under McCloud.

Table H – Statement of Financial Position

	31 March 2020 £ million	31 March 2019 £ million
Total market value of assets	nil	nil
Value of liabilities	5,355	4,791
Surplus/(Deficit)	(5,355)	(4,791)
of which recoverable by employers	n/a	n/a

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

Accruing costs

The cost of benefits accrued in the year ended 31 March 2020 (the current service cost) is assessed as 71.2% 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 2019-20 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2019-20 accounts.

Table I – Contribution rate

	2019-20 % of pay	**2018-19 % of pay**
Employer contributions[2]	51.1%	38.2%
Employee contributions (average)	5.7%	5.6%
Total contributions	**56.8%**	**43.8%**
Current service cost (expressed as a % of pay)	**71.2%**	**63.2%**

The key difference between the assumptions used for funding valuations and accounts is the discount rate, although price inflation and salary increases are also determined differently. 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 2019-20 was £363 million (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2019-20 (at 71.2% of pay) is assessed to be £259 million. This includes an allowance for the higher cost of benefits accruing over the year under McCloud.

The current service cost of £259 million can be split as follows:

- Higher Judiciary: £122 million (47%)
- Lower Judiciary: £137 million (53%)

Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. A negative past service cost of £40m has been determined in respect of the impact of the McCloud judgment. This is, because we now have further clarity on measures needed to address the discrimination identified in the judgment.

I am not aware of any events that have led to a material settlement or curtailment gain or loss over 2019-20.

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

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 2020 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 2020 of changes to these assumptions (rounded to the nearest 0.5%).

Table J – Sensitivity to significant assumptions

Change in assumption		Approximate effect on total liability	
Financial assumptions			
(i) discount rate*:	+0.5% p.a.	- 7.5%	- £402 million
(ii) (long-term) earnings increase*:	+0.5% p.a.	+ 1.5%	+ £80 million
(iii) pension increases*:	+0.5% p.a.	+ 5.0%	+ £268 million
Demographic assumptions			
(iv) additional 1 year increase in life expectancy at retirement		+ 4.5%	+ £241 million

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

Covid-19 implications

The 2019-20 Resource Accounts are being produced at a time when the UK is in the midst of dealing with the Covid-19 pandemic. I have considered the potential implications of how this pandemic could impact on the actuarial calculations required for the Resource Accounts.

The assumptions for the discount rate and pension increases are specified by HM Treasury in the PES (2019) 11 Revised, dated 6 December 2019, and remain unchanged for these accounts. The PES assumptions reflect market conditions at the previous 30 November and are typically not amended for any changes between November and the accounting date.

The long-term salary assumption is set by MoJ, having taken actuarial advice, and is intended to be an average over the future careers of scheme members, with a recognition that increases in any particular year may be lower or higher than the assumption. The increase in the amount of Government debt being taken on to pay for its response to the Covid-19 pandemic is likely to affect salary growth. However, at this stage, it is too early to speculate on the potential impacts for the long-term salary growth. Therefore, I do not believe there is any information to justify changing the salary assumption.

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

Michael Scanlon FIA

Deputy Chief Actuary

Government Actuary's Department

6 July 2020

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 2020 and continued to the date of approval of the Annual Report in accordance with HM Treasury guidance.

Governance Framework

As Accounting Officer, I am supported by the following Boards and Committees:

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

Each of these is described below.

In addition, the following Board and Committees support the overall governance, escalation and assurance process for the JPS:

- The Departmental Board
- The Executive Committee (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 and four judicial representatives including one from either the Scottish Government or the Department of Justice (Northern Ireland).

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

The JPB has oversight of a range of areas including:

- Assurance and governance of the administration of the JPS;
- Performance of the third-party scheme administrator, XPS;
- Effectiveness and value for money of the administration of the JPS;
- Internal control procedures, contributing to the planning of risk management and audit programmes;
- Considering appeals, complaints and providing the Scheme Manager with recommendations under the Internal Disputes Resolution Procedure;
- Providing recommendations to the Scheme Manager in respect of the exercising of any discretionary decisions under the Judicial Pension Regulations 2015.

The JPB sits quarterly and a minimum of five members, including two members from the employer and scheme membership are required to form a quorum. Attendance at the meetings is shown below; the JPB met on the following dates during the year under review:

- 6 June 2019;
- 11 September 2019;
- 4 December 2019; and
- 19 March 2020.

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

The performance of JPB members is evaluated on an annual basis to ensure that all members are adequately meeting their duties. This is undertaken by the Independent Chair, supported by JP&P.

The Northern Ireland Judicial Pension Board (NIJPB) has scope over the devolved judiciary in Northern Ireland. Under administrative arrangements 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.

The Judicial Pension Board Administration Committee (JPBAC)

The Judicial Pension Board Administration Committee (JPBAC) oversees and reviews arrangements relating to the administration of the JPS including operational processes. The JPBAC is supported by the MoJ in relation to JPS operational matters. JPBAC meets regularly to discuss operational issues in more detail with JP&P and representatives from XPS; during 2019-20 the JPBAC met on the following dates:

- 2 May 2019
- 7 August 2019
- 7 November 2019; and
- 27 February 2020.

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

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

The JPBAC Terms of Reference can be viewed at:

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

The Judicial Pension Scheme Advisory Board (JPSAB)

The JPSAB advises the Lord Chancellor on the desirability of making changes to the JPS. JPSAB meets at the request of the Lord Chancellor. During the year under review the JPSAB met on the following dates:

- 27 February 2020; and
- 19 March 2020.

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

Judicial Pension Board Dispute Resolution Committee (JPBDRC)

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

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

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

- 11 June 2019;
- 31 July 2019;
- 6 September 2019; and
- 8 November 2019

The JPBDRC Terms of Reference can be viewed at:

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

The Judicial Pension Scheme Finance Committee (JPSFC)

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

The Committee is an internal body which meets formally as and when required (in 2019-20 this was on two occasions) and otherwise discharges its duties through correspondence.

Judicial Pension and Scheme Advisory Boards

The table below shows the attendance at those meetings taking place between 1 April 2019 and 31 March 2020.

Members	JPB	JPSAB
Independent Chair		
Jill Youds	4 of 4	2 of 2
Independent Members		
Russell Agius	3 of 4	1 of 2
Susan Andrews	3 of 4	1 of 2
Ellen Kelleher	4 of 4	2 of 2
Judicial Members		
His Honour Judge David Cooke	3 of 4	2 of 2
Mr Justice Tim Fancourt	3 of 4	2 of 2
Professor Stephen Hardy	3 of 3	1 of 2
Honourable Lady Morag Wise	3 of 4	2 of 2
Employer Members		
Jason Latham	3 of 4	1 of 2
Peter Luney	2 of 4	1 of 2
Caroline Patterson	2 of 4	0 of 2
Sarah Wallace	4 of 4	2 of 2

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. JP&P work with the MoJ Commercial & Contract Management Directorate (CCMD) and JPB to strengthen and develop the core contract management function and support the strategic operations of the JPS administrator.

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 JPBAC 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, GIAA audited the salaried JPS; JP&P and CCMD will continue to implement the findings of that audit.

As part of its operational assurance process, the MoJ and JPBAC review in detail the independent audit of XPS undertaken by BDO LLP, 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 MoJ and JPBAC are content that the audit raised no concerns for the Judicial Pension Schemes.

From 25 May 2018, the JPS came into, and continues to comply with, the requirements of the General Data Protection Regulation having aligned its procedures under the Regulation with those of the MoJ.

There were no ministerial directions given nor significant lapses of data security during 2019-20.

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 2019-20, which are published on the MoJ website.

Richard Heaton　　　　　　　　　　Date: 17 July 2020
Accounting Officer

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 2019-20

		2019-20 Estimate			2019-20 Outturn			2019-20	2018-19 Outturn
	Note	***Voted***	*Non-Voted*	*TOTAL*	***Voted***	*Non-Voted*	*TOTAL*	***Voted outturn compared with Estimate: saving/ (excess)***	*TOTAL*
		£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**	£'000
Departmental Expenditure Limit									
- Resource		-	-	-	-	-	-	-	-
- Capital		-	-	-	-	-	-	-	-
Annually Managed Expenditure - Resource	SoPS 1	**443,416**	141,750	585,166	**149,030**	103,000	252,030	**294,386**	717,356
- Capital		**-**	-	-				**-**	-
Total Budget		**443,416**	141,750	585,166	**149,030**	103,000	252,030	**294,386**	717,356
Non-Budget									
- Resource									
Total		**443,416**	141,750	585,166	**149,030**	103,000	252,030	**294,386**	**717,356**
Total Resource		**443,416**	141,750	585,166	**149,030**	103,000	252,030	**294,386**	717,356
Total Capital		**-**	-	-					-
Total		**443,416**	**141,750**	**585,166**	**149,030**	**103,000**	**252,030**	**294,386**	**717,356**

Net cash requirement 2019-20

	Note	2019-20 Estimate	2019-20 Outturn	2019-20 Outturn compared with Estimate: saving/ (excess)	2018-19 Outturn
		£'000	**£'000**	£'000	£'000
Net cash requirement	SoPS 2	**(115,934)**	**(123,517)**	**7,583**	**(86,330)**

Administration costs 2019-20

	Note	2019-20 Estimate	2019-20 Outturn	2018-19 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 29 to 31 form part of these accounts.

Notes to the Statement of Parliamentary Supply for the year ended 31 March 2020 (Audited)

SoPS 1. Net outturn

	2019-20										2018-19 Outturn
	Outturn							Estimate			
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Judicial Pension Scheme - Annually Managed Expenditure:											
Voted	-	-	-	360,083	(211,053)	149,030	149,030	443,416	294,386	294,386	505,256
Non-voted	-	-	-	103,000	-	103,000	103,000	141,750	38,750	38,750	212,100
Total	**-**	**-**	**-**	**463,083**	**(211,053)**	**252,030**	**252,030**	**585,166**	**333,136**	**333,136**	**717,356**

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 £294m (voted expenditure). The main reasons for this are:

- A past service cost of £99m (originally expected to be accounted for as a provision) has been made in relation to fee-paid judicial office holders' litigation (O'Brien and Miller cases), a reduction of £231m from the total amount (£330m) allowed for provisions in the estimates. A number of other potential liabilities have not crystallised.
- The past service cost relating to transitional protection litigation (McCloud case) has been reduced by £21m (voted element only), due to clarification of the proposed changes (subject to consultation). The current service cost (voted element only) is lower than expected by £36m, largely for the same reason.

The changes to past and current service costs in relation to McCloud have also resulted in a £39m underspend against the non-voted budget.

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

		2019-20	2019-20	2019-20	2018-19
	Note	Estimate £'000	Outturn £'000	Net Total Outturn compared with estimate: saving/ (excess) £'000	£'000
Resource outturn		585,166	252,030	333,136	717,356
Accruals adjustments					
Non-cash items – Current Service, Past Service and Interest costs		(457,000)	(358,000)	(99,000)	(570,000)
Non-cash items – Contributions receivable directly by the Consolidated Fund		-	(208)	208	(114)
Non-cash items – Income attributable to Judiciary at the Corporation of London		-	159	(159)	148
Changes in working capital					
Increase/(decrease) in receivables		-	5,646	(5,646)	(1,349)
(Increase)/decrease in payables		-	(1,059)	1,059	(1,907)
Enhancements and transfers in		-	(3,967)	3,967	(4,621)
Movements in provisions					
O'Brien & Miller provision/past service cost	14a	(330,000)	(98,750)	(231,250)	(300,750)
Use of pension provision		85,900	80,632	5,268	74,907
Net cash requirement		**(115,934)**	**(123,517)**	**7,583**	**(86,330)**

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).

	2019-20 Outturn		2018-19 Outturn	
	Income £'000	*Receipts £'000*	Income £'000	*Receipts £'000*
Excess cash receipts surrenderable to the Consolidated Fund	123,517	*123,517*	86,330	*86,330*
Total income payable to the Consolidated Fund	**123,517**	*123,517*	**86,330**	*86,330*

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: 17 July 2020

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 2020 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statement 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 2020 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2020 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), Practice Note 15 (revised) 'The Audit of Occupational Pension Schemes in the United Kingdom' and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Judicial Pensions Scheme's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Judicial Pensions Scheme have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Judicial Pensions Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 Pensions 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.

- Conclude on the appropriateness of the Judicial Pensions Scheme’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. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 report. However, future events or conditions may cause the Judicial Pensions Scheme to cease to continue as a going concern.

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 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 Performance Report or the Accountability 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: 20 July 2020

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

FINANCIAL STATEMENTS

Statement of Comprehensive Net Expenditure for the Year Ended 31 March 2020

		2019-20		2018-19	
	Note	£'000	£'000	£'000	£'000
Income					
Contributions receivable	3	(208,032)		(154,202)	
Other pension income	4	(907)		(876)	
Transfers in	7	(2,114)		(4,126)	
			(211,053)		(159,204)
Expenditure					
Current service cost	5	259,000		221,000	
Past service cost	5	58,750		230,000	
Pension financing cost	8	139,000		119,000	
Provisions	14a	-		300,750	
Enhancements & transfers in	6 & 7	3,967		4,621	
Payment to HMRC for JPS 2015 Scheme		1,459		313	
Administration expenses	9	907		876	
			463,083		876,560
Net Expenditure			**252,030**		**717,356**
Other Comprehensive Net Expenditure					
Recognised gains and losses for the financial year:					
Other actuarial re-measurement	14g		365,000		(250,000)
Total Comprehensive Net Expenditure for the year ended 31 March 2020			**617,030**		**467,356**

The notes on pages 40 to 56 form part of these accounts

Statement of Financial Position as at 31 March 2020

		31 March 2020		31 March 2019	
	Note	£'000	£'000	£'000	£'000
Current Assets					
Receivables	11	18,232		12,586	
Cash and cash equivalents	12	33,671		24,601	
			51,903		37,187
Current Liabilities:					
Payables (within 12 months)	13	(42,858)		(32,729)	
Total current liabilities			(42,858)		(32,729)
Net current assets			9,045		4,458
Non-current liabilities					
Pension liability (existing schemes)	14e	(5,355,062)			(4,791,026)
Pension liability (O'Brien & Miller)	14a & e	(399,500)			-
Total pension liability			(5,754,562)		
Provisions	14a		-		(300,750)
Net liabilities			**(5,745,517)**		**(5,087,318)**
Taxpayers' equity:					
General fund			(5,745,517)		(5,087,318)
			(5,745,517)		**(5,087,318)**

Richard Heaton
Accounting Officer

Date: 17 July 2020

The notes on pages 40 to 56 form part of these accounts

Statement of Changes in Taxpayers Equity for the Year Ended 31 March 2020

	Note	2019-20	2018-19
		£'000	£'000
Balance at 1 April		(5,087,318)	(4,611,937)
Consolidated Fund Standing Services:			
Pension payable by the Consolidated Fund		82,299	78,339
Contributions payable/(receivable) directly by the Consolidated Fund		208	114
Income attributable to the Judiciary at the Corporation of London		(159)	(148)
CFERs payable to the Consolidated Fund		(123,517)	(86,330)
Comprehensive Net Expenditure for the year		(252,030)	(717,356)
Other actuarial re-measurement - gain/(loss)	14(g)	(365,000)	250,000
Balance at 31 March		**(5,745,517)**	**(5,087,318)**

The notes on pages 40 to 56 form part of these accounts

Statement of Cash Flows for the Year Ended 31 March 2020

	Note	2019-20	2018-19
		£'000	£'000
Cash flows from operating activities:			
Net expenditure for the year	SOCNE	(252,030)	(717,356)
Adjustments for non-cash transactions:			
Contributions payable/(receivable) by the Consolidated Fund		208	114
Income attributable to Judiciary at the Corporation of London		(159)	(148)
Movement in provisions – O'Brien and Miller	14a	-	300,750
Adjustment in respect of working capital		(4,587)	3,256
Increase in pension provision	5 & 8	456,750	570,000
Use of provisions – pensions payable by Vote	14f	(80,632)	(74,907)
Enhancements & transfers in	6 & 7	3,967	4,621
Net increase in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund		**123,517**	**86,330**
Payment of amounts due to the Consolidated Fund – current year		(90,632)	(62,329)
Payment of amounts due to the Consolidated Fund – prior year		(24,001)	(28,193)
Increase in cash held on behalf of the Consolidated Fund	13	186	49
Net increase in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund		**9,070**	**(4,143)**
Cash and cash equivalents at the beginning of the year	12	24,601	28,744
Cash and cash equivalents at the end of the year	12	**33,671**	**24,601**

The notes on pages 40 to 56 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 2019-20 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 6 January 2015. It is open to members of the Judiciary who satisfy the membership criteria.

Contributions to the JPS by employers are set at rates determined by the Government Actuary's Department (GAD) and approved by the JPS Board Contributions to the JPS by members are paid at rates set out in secondary legislation. The contributions partially fund payments made by the JPS, the balance of funding being provided by Parliamentary Vote, through the annual Supply Estimates process, and directly from the Consolidated Fund. The administrative expenses associated with the operation of the JPS are borne by the Ministry of Justice 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 2020 shows a pension liability of £5,755m (2018-19: £4,791m). Other movements in the liability reflect the inclusion of liabilities falling due in the long-term, which are to be financed mainly by drawings from the Consolidated Fund. Such drawings will be grants of Supply approved annually by

Parliament to meet the JPS's pension benefits, which come into payment each year.

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

In common with other public service pension schemes, the future financing of the JPS's liabilities is to be met by future grants of supply and the application of future pension contributions, both to be approved annually by Parliament. Such approval for amounts required for 2020-21 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.

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

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

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

Judges who are members of the FPJPS 2017 Scheme have paid employee contributions since 1 April 2017. Employee contributions for pensionable service before commencement of the scheme may be paid by way of lump sum, deductions from fees or deduction from the retirement or death in service lump sum. This scheme approximates the 1993 Scheme as closely as possible and includes the DPC contributions and refunds.

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

2.3 Other pension income

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

2.4 Transfers in and out

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

2.5 Current service cost

The current service cost is the increase in the present value of the scheme liabilities arising from current members' service in the current period and is recognised in the Statement of Comprehensive Net Expenditure. The cost is based on the assumptions used by the actuary and is assessed as 71.2% 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.

A past service cost was recognised in 2018-19 in relation to the increase in the pension liability arising from the McCloud litigation; this has been reduced by a negative past service cost in 2019-20. In addition, a past service cost has been recognised in 2019-20 in relation to the O'Brien and Miller cases. 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 2.90% (2018-19: 2.55%) 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 2019-20 is (0.5%) per annum real (2018-19: 0.29%). The valuation takes account of the overnight change in the Scheme's liabilities as a result of the change in the discount rate to (0.5%) real as at 31 March 2020. 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.

A new provision was recognised in 2018-19, in relation to potential liabilities arising from the O'Brien and Miller litigation. This provision has been rolled into the pension liability in 2019-20. 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

Scheme administration is 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.

This is overseen 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.

To cover these costs, the JPS is authorised by HM Treasury to pay the MoJ 0.25% of the 51.35% Accrued Superannuation Liability Charges (ASLC) received. In 2019-20 this amounts to £907k (2018-19: £876k). 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 New and amended accounting standards adopted

There have been no new or amended standards adopted in the financial year beginning 1 April 2019.

2.18 Accounting standards issued but not effective

IFRS 16: Leases will be adopted from 1 April 2021. 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

The valuation of provisions and liabilities relies on the application of professional judgement, historical experience and other factors expected to influence future events. The liability recognised in these accounts in relation to the O'Brien and Miller cases is derived from financial models based on the best available data, including actual fee-paid service records, previous pension claims 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 these liabilities may differ significantly from the values recognised in these accounts. Further information including the carrying amounts is set out in Note 14.

3. Pension contributions receivable

	2019-20	2018-19
	£'000	£'000
Employers; appointing bodies:		
Accruing Superannuation Liability Charges (ASLCs)	185,577	133,857
Employees; Judicial Office-holders:		
Normal contributions: Pension Contributions	20,602	19,465
Purchase of Added Years: internal JPS AVC's only	1,853	880
	208,032	**154,202**

Employees' pension contributions include both personal and dependants' contributions.

Contributions payable to the JPS in 2020-21 are expected to be £211m.

4. Other Pension Income

	2019-20	2018-19
	£'000	£'000
Administration fees receivable from appointing bodies	907	876
	907	**876**

5. Current and Past Service Costs

	2019-20	2018-19
	£'000	£'000
Current service cost: (see note 14e)		
Judiciary paid from the JPS Estimate and pension increases for all Judiciary	137,000	117,000
Judiciary paid from the Consolidated Fund (notional expenditure)	122,000	104,000
	259,000	221,000
Past service cost:		
Paid from the JPS Estimate	77,750	121,900
Paid from the Consolidated Fund (notional expenditure)	(19,000)	108,100
	58,750	230,000
	317,750	**451,000**

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 2019-20 pension cost has been allocated at 53% Vote and 47% non-Vote (the same split as in 2018-19).

The past service cost for 2018-19 was in relation to a legal case (McCloud) which resulted in the need to provide a remedy in respect of transitional protection introduced as part of public service pension reforms in 2015. In 2019-20, this cost has been reduced by a negative past service cost of £40m (£21m voted, £19m non-voted) due to clarification of the proposed changes (subject to consultation). This has been offset by a past service cost increase of £98,750k (all voted) in relation to the O'Brien and Miller cases: further information is set out in Note 14(a).

6. Enhancements

	2019-20	2018-19
	£'000	£'000
Employees:		
Purchase of added years	1,853	495
	1,853	**495**

7. Transfers in – additional liability

	2019-20	2018-19
	£'000	£'000
Individual transfers from other schemes	2,114	4,126
	2,114	**4,126**

8. Pension financing cost

	2019-20	2018-19
	£'000	£'000
Net interest on defined pension liability (see note 14e)	139,000	119,000
	139,000	**119,000**

9. Administration Expenses

	2019-20	2018-19
	£'000	£'000
Administration expenses paid to the MoJ	907	876
	907	**876**

10. Additional Voluntary Contributions (AVCs)

10.1 AVCs to External Approved Providers

The JPS provides for members to make additional voluntary contributions (AVCs) to increase their pension entitlements. The Judicial Added Voluntary Contributions Scheme (JAVCS) is available to members of the JUPRA, JPS 2015 and FPJPS 2017 schemes. Members may arrange to have agreed sums deducted from their salaries for onward payment to the approved providers, Utmost Life and Pensions Limited (transferred from 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:

	Utmost Life & Pensions		Prudential	
	2019-20	**2018-19**	**2019-20**	**2018-19**
	£'000	£'000	£'000	£'000
Movements in the year				
Balance at 1 March / 1 April	79	76	3,269	3,912
New investments	-	2	231	242
Leavers, transfers & withdrawals	-	-	-	-
Claims paid	-	-	(635)	(1,098)
Changes in market value of investments	3	1	(93)	213
Balance at 28 February / 31 March	**82**	**79**	**2,772**	**3,269**

Note: The figures from Utmost Life & Pensions cover the 12 month period from 01/03/19 to 29/02/20, whereas the figures from Prudential cover the 12 month period from 01/04/19 to 31/03/20.

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. Due to delayed implementation, the FPJAYS option remained open for an extended period; the option was closed 31 March 2020. FPJPS members may only make contributions to JASAPS during periods of service in qualifying judicial office during which they have a spouse or civil partner.

10.5 The Pension Partnership Account

This is a tax-registered stakeholder pension scheme for judges eligible for JPS 2015. Members can opt to join this scheme instead of joining the JPS 2015. The Pension Partnership Account (PPA) is administered by Prudential. During 2019-20 £33,744.02 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	**2019-20**	**2018-19**
	£'000	£'000
Pension contributions due from appointing bodies:		
Accruing Superannuation Liability Charges (ASLCs), including administration fees	15.367	10,807
Pension contributions due from Judicial Office-holders:		
Normal contributions -Personal Pension Contributions (PPCs)	1,746	1,644
Purchase of Added Years: internal JPS AVC's only	52	44
Overpaid pensions & Other debtors	73	52
Ex-gratia payments due from MoJ	80	39
Payments in lieu of pension due from MoJ	914	-
	18,232	**12,586**

12. Cash and cash equivalents

	2019-20	2018-19
	£'000	£'000
Balances as at 1 April	24,601	28,744
Net change in cash balances	9,070	(4,143)
Balance at 31 March	**33,671**	**24,601**
The following balances at 31 March were held at:		
Government Banking Service	33,671	24,601
	33,671	**24,601**

13. Payables – in respect of pensions

Analysis by type

Amounts falling due within one year	2019-20	2018-19
	£'000	£'000
Tax due to HM Revenue and Customs	7,173	6,641
Death in service and early retirement payments	20	30
Administration charges due to Ministry of Justice	221	234
Pension arrears	37	14
Lump sums	53	42
Contribution refunds	-	10
Other creditors	1,684	1,157
Total payables excluding CF creditor	9,188	8,128
Extra receipts due to the Consolidated Fund	32,884	24,001
Non-JPS cash held on behalf of the Consolidated Fund	786	600
	42,858	**32,729**

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 Work Directive should have been transposed into domestic law) must be taken into account (O'Brien). In December 2019, the Supreme Court ruled that the time limit for making a pension claim under the Part-Time Workers Regulations runs from the point of retirement from all judicial offices, rather than the end of fee-paid service (Miller). This increases the number of former fee-paid judicial office holders entitled to a pension.

A new provision was recognised in the 2018-19 accounts for the estimated increase in future pension benefits payable as a result of these cases. There is very limited data available on fee-paid judges' service prior to 7 April 2000, and therefore estimates were, and still are, based upon extrapolation from the post-2000 service of those judges thought to have eligible pre-2000 service.

Following determination of the methodology to be applied in calculating pension entitlements for pre-2000 service, the Government Actuary's Department (GAD) has been able to determine an estimated value of the accrued benefits on an actuarial basis. In addition, MoJ has undertaken significant work to identify those former fee-paid judges whose pension claims will now be 'in time' as a result of the Miller judgment. This work has increased the estimated value by £99m to £400m.

It is now appropriate to recognise these liabilities as part of the pension liabilities under the relevant accounting standard (IAS 19 Employee Benefits). As a result, the previous provision of £301m has been rolled into the pension liability and the increase in value is accounted for as a past service cost. For clarity, the liability in respect of O'Brien and Miller is shown separately from the liability relating to existing scheme benefits, on the balance sheet.

The related movements in the pension liability are shown at Note 14(e).

A provision has also been raised in the Ministry of Justice Annual Report and Accounts (available at https://www.gov.uk/government/organisations/ministry-of-justice), for short term payments in lieu of pension, until scheme regulations can be amended to cover pre-2000 service.

	2019-20	**2018-19**
	£'000	£'000
Balance as at 1 April	300,750	-
Provided in the year – fee-paid judges pension liability		300,750
Rolled into the pension liability	(300,750)	-
Balance at 31 March	**-**	**300,750**

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 2020	At 31 March 2019	At 31 March 2018	At 31 March 2017	At 31 March 2016
Rate of increase in salaries	4.10%	4.10%	3.95%	4.55%	4.2%
Rate of increase in pensions in payment and deferred pensions	2.35%	2.60%	2.45%	2.55%	2.2%
Inflation assumption	2.35%	2.60%	2.45%	2.55%	2.2%
Nominal discount rate	1.80%	2.90%	2.55%	2.80%	3.60%
Discount rate net of price inflation	(0.5%)	0.29%	0.10%	0.24%	1.37%
Mortality rates at aged 60 (life expectancy in years)					
Current retirements					
Females	30.5	31.4	31.3	31.9	31.8
Males	28.8	29.7	29.6	30.4	30.2
Retirements in 15 years time					
Females	31.8	33.0	32.9	33.5	33.4
Males	30.0	31.2	31.1	32.0	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.

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

14 (c) Analysis of the pension liability

	March 2020	March 2019	March 2018
	£m	£m	£m
Liability relating to pensioners in payment	1,727	1,681	1,733
Liability relating to deferred pensioners	30	28	29
Liability relating to active members	3,598	3,082	2,858
Scheme liability at 31 March (existing schemes only)	**5,355**	**4,791**	**4,620**

A valuation of the scheme as at 31 March 2016 has 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 14-20).

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. In recognition of this uncertainty I have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2020 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 2020 of changes to these assumptions (rounded to the nearest 0.5%).

Table J – Sensitivity to significant assumptions

Change in assumption		Approximate effect on total liability	
Financial assumptions			
(i)discount rate*:	+0.5% p.a.	- 7.5%	- £402 million
(ii) (long-term) earnings increase*:	+0.5% p.a.	+ 1.5%	+ £80 million
(iii) pension increases*:	+0.5% p.a.	+ 5.0%	+ £268 million
Demographic assumptions			
(iv) additional 1 year increase in life expectancy at retirement		+ 4.5%	+ £241 million

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

For the O'Brien and Miller element, using current assumptions, if pre-2000 service days are 10% higher (or lower) than estimated, the liability would be increased (or decreased) by £37m. If there are 10% more (or fewer) eligible claimants than estimated, the liability would be increased (or decreased) by £25m. The sensitivities to discount rate, earnings and demographic assumptions are similar to those for the overall pension liability (above). For example, a 0.5% increase in the discount rate would result in a reduction in this element of the liability by approximately 7.5%, a value of £30m.

14(e) Analysis of movement in scheme liability

	Note	2019-20 £'000	2018-19 £'000
Scheme liability at 1 April		4,791,026	4,619,651
Current service cost	5	259,000	221,000
Past service cost (McCloud case)	5	(40,000)	230,000
Pension financing cost	8	139,000	119,000
Enhancements & transfers in	6 & 7	3,967	4,621
Pension benefits payable	14(f)	(162,931)	(153,246)
Other re-measurement - (gains)/losses	14(g)	365,000	(250,000)
Scheme liability (existing schemes)		**5,355,062**	**4,791,026**
O'Brien & Miller provision rolled into pension liability		300,750	-
Past service cost (O'Brien & Miller cases)		98,750	-
Scheme liability (O'Brien & Miller)		**399,500**	**-**
Scheme liability at 31 March		**5,754,562**	**4,791,026**

During the year ended 31 March 2020, employers' contributions represented 51.35% of pensionable pay. For members in the 1993 Scheme, contributions are taken from salary up to a level reflecting the former Inland Revenue earnings cap, while members of the 1981 Scheme pay contributions based on the whole salary.

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

From 5 February 2016 for JUPRA and JPA 1981, the rate of PPCs varied from 2.61% to 4.43% depending on the annual rate of pensionable earnings. Dependant contributions of 1.80% are payable on pensionable earnings up to the earnings cap. From 1 April 2017 members of the Fee-Paid Judicial Pension Scheme (FPJPS) paid PPCs and dependant contributions at the same rates as JUPRA members for fee-paid service from April 2000. Contributions to JPA 1981, JUPRA and FPJPS do not attract income tax relief as these schemes are not tax registered. JPS 2015 is a tax registered scheme. Members pay a single contribution rate (rather than separate rates for personal and dependant contributions) which varied from 4.6% to 8.05%. Rates are higher than for JPA 1981, JUPRA and FPJPS to reflect the fact that they attract income tax relief.

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

14 (f) Analysis of benefits paid

	2019-20		2018-19	
	£'000	£'000	£'000	£'000
Members – Base pensions	42,913		39,560	
Members – Pensions increase	19,286		17,262	
Members – Lump sum on retirement	9,595		8,640	
Dependants – Base pensions	2,901		2,844	
Dependants – Pensions increase	5,385		5,346	
Dependants – Lump sum on death of members	552		1,255	
Pension benefits payable from Supply		**80,632**		**74,907**
Members – Base pensions	63,562		61,270	
Members – Lump sum on retirement	10,488		8,253	
Dependants – Base pensions	7,543		7,491	
Dependants – Lump sum on death of member	706		1,325	
Pension benefits payable from Consolidated Fund		**82,299**		**78,339**
Total pension benefits payable charged against provision		**162,931**		**153,246**

14 (g) Analysis of other re-measurements

	2019-20	2018-19
	£'000	£'000
Experience gains/(losses) arising on the scheme liabilities	71,000	105,000
Gains/(losses) resulting from changes in assumptions underlying the present value of scheme liabilities	(436,000)	145,000
Per Statement of Changes in Taxpayers Equity	**(365,000)**	**250,000**

14 (h) History of experience gains and losses

	2019-20	2018-19	2017-18	2016-17	2015-16
	£'000	£'000	£'000	£'000	£'000
Experience gains/(losses) on scheme liabilities:					
Amount	71,000	105,000	35,000	24,000	32,000
Percentage of the present value of the scheme liabilities at the balance sheet date	(1.31%)	(2.19%)	(0.76%)	(0.64%)	(1.04%)
Total other re-measurement - gains/(losses):					
Amount	(365,000)	250,000	85,000	(549,000)	180,000
Percentage of the present value of the scheme liabilities at the balance sheet date	6.82%	(5.22%)	(1.84%)	14.58%	(5.84%)

15. Financial Instruments

As the cash requirements of the JPS are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public service scheme of a similar size. 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

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

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

17. Related party transactions

The 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 16 July 2020, the government published a consultation on changes to public service pensions to address the discrimination arising from the transitional protection arrangements that were introduced when the schemes were reformed in 2015 – the impacts of the proposed changes have been reflected in these accounts, in the pension liability and the current and past service costs.

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

CCS0320312930
978-1-5286-1825-0