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**Judicial Pensions Scheme  
Annual Report and Accounts  
2013-14**

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# **Judicial Pensions Scheme Annual Report and Accounts 2013 - 14**

**(For the year ended 31 March 2014)**

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

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This is part of a series of departmental publications which, along with the Main Estimates 2014-15 and the document Public Expenditure: Statistical Analyses 2014, present the Government's outturn for 2013-14 and planned expenditure for 2014-15.



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## Contents

	Page
Report of the Managers	2-9
Report of the Actuary	10-13
Statement of the Accounting Officer's Responsibilities	14
Governance Statement	15-20
The Certificate and Report of the Comptroller and Auditor General	21-23
The Primary Statements:	
Statement of Parliamentary Supply	24
Notes on the Statement of Parliamentary Supply	25-27
Statement of Comprehensive Net Expenditure	28
Statement of Financial Position	29
Statement of Change in Taxpayers Equity	30
Statement of Cash Flows	31
Notes to the Judicial Pensions Scheme Statements	32-47

## REPORT OF THE MANAGERS

### Background to the Judicial Pensions Scheme

These Accounts relate to the financial year ending 31 March 2014. The following paragraphs summarise the arrangements operating in 2013-14.

There are currently various judicial pension arrangements, all contracted out of the State Second Pension, that are known collectively as the JPS. The JPS comprises unfunded, salary-related, occupational pension schemes open to most members of the salaried Judiciary under the provisions of two Acts: the Judicial Pensions Act 1981 and the Judicial Pensions & Retirement Act 1993 (JUPRA). In addition, these Accounts include pensions paid to former Lord Chancellors under the Lord Chancellor's Pension Act 1832, as amended.

The JPS is a defined benefit scheme. Salaried Judges appointed for the first time on or after 31 March 1995 belong to the JPS under the 1993 Act. Those appointed prior to that date generally belong to a scheme under the 1981 Act. There is a right of election to transfer from the 1981 Act to the 1993 Act at any time up to a date 6 months after retirement.

The 1993 Act provides a lump sum of 2.25 times the member's annual pension. The annual pension is calculated at  $1/40^{\text{th}}$  of the highest of the last three years pensionable pay, up to a level reflecting the former HMRC earnings cap, multiplied by the number of years of reckonable service, up to a maximum of 20. Pension benefits are payable from age 65 subject to 5 years service.

A top up scheme operates to provide pension benefits for 1993 Act members in respect of salaries above the earnings cap. The 2013-14 earnings cap was £141,000 (2012-13: £137,400).

There are different arrangements for different Judicial Offices under the 1981 Act; in some cases maximum benefits accrue over 15 years, in others the period is 20 years. The qualifying conditions for pension benefits vary according to age and length of service requirements. Here, the lump sum is twice the annual pension.

The Judicial Pensions Scheme is not a registered scheme for the purposes of the Finance Act 2004. As a result, lump sum benefits payable from, and members' contributions payable to, the schemes do not attract income tax relief. Judges receive a service award which becomes payable when they near retirement. The level of the award, which is a proportion of the lump sum, reflects their years of service and their judicial grade and ensures their net position is maintained. The service awards are accounted for in the Ministry of Justice's Accounts.

Spouses' pension benefits, payable on the death of a member, are paid at the rate of half that of the member's annual pension entitlements under both the 1993 and 1981 Acts. Provision is also made for surviving civil partner benefits.

The JPS provides death benefits on death in service and death in early retirement, the level of benefits depending on the appropriate Act (1993 or 1981 Acts), as well as early payment of pension benefits in the event of retirement on the grounds of ill health. There is also

provision for leaving members who have completed 2 years service to preserve their accrued JPS benefits for payment when they reach normal pension age.

Judicial pension 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 the rest, 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. As salaried judges automatically become members of the JPS on appointment it is not necessary to provide a separate stakeholder pension scheme.

The Scheme Administrator is Mrs Shirley Hales, Head of the Judicial Pay and Pensions Team, formerly within the Human Resources Directorate of the Corporate Performance Group of the Ministry of Justice, and since 3 June 2013 with the Law and Access to Justice Group who administer the JPS.

The JPS Board oversees the financial, accounting and administrative functions of the JPS.

### **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 contributions rate was 32.15% of pensionable pay for 2013-14 and 2012-13. For judicial office-holders their share was either 1.8% or 2.4% of pensionable pay for 2013-14 and 2012-13.

Judicial office-holders in the 1981 scheme pay contributions of 2.4% for a maximum of 15 years or 1.8% for 20 years and those in the 1993 scheme pay contributions of 1.8% for a maximum of 20 years (subject to the earnings cap).

The Pensions Act 2011 amended the judicial pension legislation to allow the taking of contributions towards the cost of the personal pension for those judicial office holders who have not yet accrued full service. The Judicial Pensions (Contributions) Regulations 2012 determined the rate of the personal pension contribution (PPC), which is 1.28% of gross salary (the pension cap does not apply to the PPC). The contributions commenced from 1 April 2012 in line with other public service pension schemes. Those members who had accrued full service prior to 1 April 2012 did not have to pay PPC.

The PPC was 2.56% from 1 April 2013 in accordance with Statutory Instrument 2013 no.484 The Judicial Pensions (Contributions) (Amendment) Regulations 2013. It increased to 3.2% on 1 April 2014 in accordance with Statutory Instrument 2014 no. 483 The Judicial Pensions (Contributions) (Amendment) Regulations 2014.

### **Members' Additional Voluntary Contributions (AVCs)**

Serving members are able to increase their personal pension benefits and/or dependants' entitlements by making additional voluntary contributions to one of three AVC facilities within the JPS and also externally, to the AVC suppliers – The Equitable Life Assurance Society and Prudential plc. The three "in-house" AVC facilities were closed to new subscribers with effect from 6 April 2006. Making additional contributions to the external

AVC scheme does not increase a member's pension benefits under the JPS. It is also possible for members to contribute to a freestanding AVC scheme.

## **Pension Increases**

Annual increases are applied to pension payments from the first Monday on or before 6 April, in line with the CPI index, as at the previous 30 September, in accordance with the Pensions (Increase) Act 1971. The annual pension increase in April 2013 was 2.2% (2012: 5.2%).

## **Review of the Year**

### **Key Developments in the year**

#### **Provision for pension entitlements to fee-paid judiciary**

The provision for fee paid pension entitlements set out on pages 40 and 41 represent a liability relating to fee paid judicial office holders who have claimed retrospective pension rights. On 6 February 2013 the UK Supreme Court ruled that a fee paid recorder is entitled to a pension on terms equivalent to those applicable to a salaried circuit judge. The matter has been referred back to the Employment Tribunal to determine the quantum of the pension entitlement. On the basis that JPS will be required to pay pension entitlements to fee paid judiciary the provision has been calculated based upon the most recent legal counsel advice and Government Actuary's Department (GAD) calculations relating to historical contributions.

## **Pension reform**

During 2010-11 the independent Public Service Pensions Commission, chaired by Lord Hutton, undertook a fundamental structural review of public service pension provision. The JPS was included in this review.

Following Written Ministerial Statements in June 2012 and February 2013 proposals were made for a new "stand alone" judicial pension scheme based upon the new 2015 Civil Service pension scheme. Provision for the new judicial pension scheme is contained in the Public Service Pensions Act 2013.

The new Judicial Pension Scheme 2015 (NJPS 2015) will come in to effect on 1 April 2015 and will apply to all new members appointed from that date and also to those members who are currently in service who do not have transitional protection to allow them to continue as a member in their current scheme.

The initial scheme design is complete. The 12 week consultation on the draft regulations for the scheme began on 16 June 2014, with the expectation that the regulations will have completed the affirmative parliamentary process by the end of 2014. An options exercise for current scheme members who have choices to make will take place from the end of October. The governance for the NJPS 2015 will consist of a Pension Board and Scheme Advisory Board. Recruitment for an Independent Chair for these Boards is underway.



## **Discount Rate**

Since 2006 the discount rate for pensions has been reviewed annually, using market conditions. On 2 December 2013 in PES (2013) 07 Her Majesty's Treasury announced that the discount rate for pension liabilities would change from 2.35 per cent in real terms to 1.8 per cent in real terms with effect from 31 March 2014.

## **Administrative arrangements**

The Pension and Judicial Reward team became part of the Law and Access to Justice Group from 6 June 2013 following a review of the administrative arrangements within the MoJ. Prior to this the team were part of Corporate HR. In January 2014 the team became part of the new Judicial Policy, Pay and Pensions Directorate. Mr Nick Goodwin succeeded Mrs Pat Lloyd as the Director on 1 April 2014.

The Department launched an Invitation to Tender on 27 March for judicial pension and payroll administration services. A third party service provider will be appointed to provide the services from 2015 onwards, though the production of accounts for the JPS will continue to be done by the Department.

## **2013-14 Audit**

The Comptroller and Auditor General (C&AG) is appointed as the auditor under the Government Resources and Accounts Act 2000. During 2013-14 the JPS was audited by the National Audit Office and by the MoJ's Internal Audit Division (IAD). Details of the action points from the internal audit are set out in the Governance Statement on page 15.

## **Disclosure of audit information to the auditors**

As far as the Accounting Officer is aware, there is no relevant audit information of which the JPS's auditors are unaware. The Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that the JPS's auditors are aware of that information.

## **Membership Statistics**

- A. Active members: office-holders who are in service.
- B. Deferred members: former office-holders who are not currently in pensionable service but who are entitled to JPS benefits as a result of previous service, at some future date.
- C. Pensioners in payment: former office-holders who are currently receiving JPS benefits, plus other JPS beneficiaries such as widow(er)s and other dependants of former office-holders.

Details of the current membership of the JPS is as follows:

A. Active members	2013-14	2012-13
Active members B/F	2,200	2,240
Add: New entrants in the year	144	111
Less: Retirements in the year	-133	-143
Deferred members	-1	0
Deaths	-5	-8
Active members at 31 March	2,205	2,200

B. Deferred members	2013-14	2012-13
Deferred members B/F	10	10
Add: Members leaving who have deferred pension rights	1	0
Less: Deferred pension coming into payment	-1	0
Deferred members at 31 March	10	10

C. Pensions in payment	2013-14 Members	2013-14 Dependants	2013-14 Total	2012-13 Total
Pensioners in payment B/F	1,319	510	1,829	1,725
Add: Members retiring in year at normal retirement age (1)	131	0	131	142
New pensioners under a pension sharing on divorce order	6	0	6	4
New members in receipt of a Guaranteed Minimum Pension (GMP) only	15	0	15	15
New dependants	0	28	28	37
Member retired as at 31/3/2014 but not on pension payroll until April 2014	1	0	1	
Reinstatement of pension	0	0	0	0
Less: Members retiring in year, previously in receipt of a GMP	-16	0	-16	-23
Deaths in year	-34	-20	-54	-66
Cessation of full time education (dependant child pensioners)	0	-3	-3	-3
Suspension of pension	0	0	0	-2
Pensioners in payment at 31 March	1,422	515	1,937	1,829

(1) The difference between the number of retirements (133) and the number of new pensioners (132) is due to one member who retired with insufficient service to qualify for a pension.

## Financial position

At 31 March 2014 the JPS had net liabilities, including the pension liability, of £3,436m (31 March 2013 - £3,509m). This is largely attributed to the pension liability of £2,923m (31 March 2013 - £2,497m) as detailed in note 12c to the accounts and the provision for fee paid judges pension entitlements (note 12a) that has been reduced to £518m (31 March 2013 - £1,020m). The release of the provision follows recent rulings and legal counsel advice. The Estimate had included an additional £509m for the fee paid judges provision giving a favourable variance of over £1bn against the Estimate.

The key figures of interest costs and current service costs (CSC) are supplied by the Government Actuary's Department (GAD). In the case of both these costs a more prudent approach is adopted for estimates since the accounts would be qualified if the estimate is breached. However the significance of these costs in regard to causing such a breach has been superseded in 2013-14 by the release of £501.6m from the fee paid judges provision

Interest costs of £103m show a slight decrease from the prior year (2012-13: £106m) and the Supplementary Estimate of £104m. The interest cost is calculated by applying the gross discount rate to the liability. The gross discount rate has fallen from 4.85% at 31 March 2012 to 4.1% at 31 March 2013 resulting in interest costs decreasing from £106m in 2012-13 to £103m in 2013-14.

The CSC is primarily driven by applying the net discount rate to the annual payroll figure. CSC increased to £135m from £123m in 2012-13 although this was slightly below the supplementary estimate figure of £137m because of the more prudent approach. The 2012-13 CSC was calculated using the net discount rate of 2.8% at 31 March 2012 while the 2013-14 CSC is calculated using the net discount rate at 31 March 2013, which was 2.35%. Since the rate has decreased, the cost of service accruing over the next year, as a percentage of pay, has increased.

The difference between the net and gross discount rates is the CPI inflation figure, the assumed percentage increase in pensions.

## Information for Members

The JPS Board, Managers, Advisers and Appointing Bodies for the JPS are as listed below:

### JPS Board

Chairman	- Steve Gillespie
Director of Judicial Policy, Pay & Pensions	- Pat Lloyd/ Nick Goodwin
Deputy Director Pensions & Judicial Reward	- Ian Gray
Scheme Administrator	- Shirley Hales
Corporate Finance	- Christine Purvis / Audrey Fullerton
Estimates Manager (Corporate Finance)	- David Eddleston
Internal Audit	- Michael McAllister
JPS Accountant	- Adrian Matthews
Board Secretary	- Jane Storrar

## **Managers**

### *JPS Manager and Accounting Officer:*

Ursula Brennan, Permanent Secretary, Ministry of Justice, 102 Petty France, London, SW1H 9AJ

### *Scheme Administrator:*

Mrs Shirley Hales, Judicial Policy, Pay and Pensions, Ministry of Justice, 102 Petty France, London SW1H 9AJ.

## **Advisers**

### *Scheme Actuary:*

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

### *Auditors:*

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

### *Bankers:*

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

### *Legal Advisers:*

Legal Directorate, Ministry of Justice, 102 Petty France, London SW1H 9AJ.

### *Providers of external Additional Voluntary Contributions:*

The Equitable Life Assurance Company - Walton Street, Aylesbury, Bucks HP21 7QW.  
Prudential Plc - Laurence Pountney Hill, London EC4R 0HH.

### *Pension Payment Contractors:*

Equinity Paymaster – Sutherland House, Russell Way, Crawley, West Sussex RH10 1UH.

## **Appointing or Administering Bodies**

As at 31 March 2014 the following bodies participated in the JPS:

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

## **Further Information**

Any enquiries about the JPS should be addressed to:

Judicial Pensions Scheme,  
Judicial Reward and Pension Reform  
102 Petty France  
London SW1H 9AJ.

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](http://www.official-documents.gov.uk/menu/browseDocuments.htm)

*Ursula Brennan*  
Accounting Officer

Date: 7 July 2014

## REPORT OF THE ACTUARY

### Introduction

This statement has been prepared by the Government Actuary's Department at the request of the Ministry of Justice ('the Department'). It summarises the pensions disclosures required for the 2013-14 Resource Accounts of the Judicial Pension Scheme ('the scheme' or 'the JPS').

The JPS is a final salary defined benefit scheme, the rules of which are set out in the Judicial Pensions Act 1981 (the 1981 Scheme) and the Judicial Pensions and Retirement Act 1993 (the 1993 Scheme) and subsequent amendments. The scheme is wholly unfunded. I am not aware of any informal practices operated within the scheme which lead to a constructive obligation (under IAS 19 constructive obligations should be included in the measurement of the actuarial liability).

The statement is based on an assessment of the liabilities as at 31 March 2012, with an approximate updating to 31 March 2014 to reflect known changes.

### Membership data

Tables A to C summarise the principal membership data as at 31 March 2012 and 31 March 2014 used to prepare this statement.

**Table A – Active members**

31 March 2012			31 March 2014
Number	Total salaries in membership data (pa) (£ million)	Total accrued pensions (£ million)	Total salaries (£ million)
2,227	266.2	63.8	264.2

**Table B – Deferred members**

31 March 2012	
Number	Total deferred pension (pa) (£ million)
35	0.5

**Table C – Pensions in payment**

31 March 2012		31 March 2014
Number	Total pension (pa) (£ million)	Total pension (pa) (£ million)
1,737	77.3	90.5

## Methodology

The present value of the liabilities has been determined using the Projected Unit Credit Method, with allowance for expected future pay increases in respect of active members, and the principal financial assumptions applying to the 2013-14 Resource Accounts. The contribution rate for accruing costs in the year ended 31 March 2014 was determined using the Projected Unit Credit Method and the principal financial assumptions applying to the 2012-13 Resource Accounts.

This statement takes into account the benefits normally provided under the scheme, including age 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.

## Principal financial assumptions

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

**Table D – Principal financial assumptions**

	31-Mar-14 (% p.a.)	31-Mar-13 (% p.a.)
Gross discount rate	4.35	4.1
Price inflation (CPI)	2.5	1.7
Earning increases (excluding promotional increases)	4.5	3.95
Real discount rate (net of CPI)	1.8	2.35

## Demographic assumptions

The demographic assumptions adopted for the assessment of the liabilities as at 31 March 2014 are based on those expected to be adopted for the 2012 funding valuation of the JPS.

The standard mortality tables known as S1NxA are used. Mortality improvements are in accordance with those incorporated in the 2012-based principal population projections for the United Kingdom.

The contribution rate used to determine the accruing cost in 2013-14 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2012-13 Resource Accounts.

## Liabilities

Table E summarises the assessed value as at 31 March 2014 of benefits accrued under the scheme prior to 31 March 2014 based on the data, methodology and assumptions described in paragraphs 3 to 11. The corresponding figures for the previous four year ends are also included in the table.

**Table E – Statement of Financial Position**

£ million

	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010
<b>Total market value of assets</b>	nil	nil	nil	nil	nil
<b>Value of liabilities</b>	2,923	2,497	2,192	2,183	2,392
<b>Surplus/(Deficit)</b>	(2,923)	(2,497)	(2,192)	(2,183)	(2,392)
<b>of which recoverable by employers</b>	n/a	n/a	n/a	n/a	n/a

## Pension cost

The cost of benefits accruing in the year ended 31 March 2014 (the Current Service Cost) is based on a standard contribution rate of 51.0%, as determined at the start of the year. Prior to 31 March 2012, members contributed 1.8% or 2.4% of pay, which for members of the 1993 Scheme was limited to the earnings cap. From 1 April 2012 members additionally contributed a further 1.28% of gross pay, including pay above the earnings cap. Table F shows the standard contribution rate used to determine the Current Service Cost for 2012-13 and 2013-14.

**Table F – Contribution rate**

	Percentage of pensionable pay	
	2013-14	2012-13
<b>Standard contribution rate</b>	51.0%	46.7%

For the avoidance of doubt the employers' share of the standard contribution rate determined for the purposes of the Resource Accounts is not the same as the actual rate of contributions payable by employers, currently 32.15%, which was determined based on the methodology and the financial and demographic assumptions adopted for the funding of the scheme. The most significant difference between the actuarial assessments for Resource Accounts and for scheme funding purposes is the discount rate net of pension increases, which was 1.8% pa for the 2013-14 Current Service Cost (2.35% pa for 2012-13) compared with 3.5% pa for scheme funding. The higher



discount rate for scheme funding purposes results in a lower assessed cost of benefit accrual. The discount rate for scheme funding is set by HM Treasury, and is expected to stay the same for an extended period so as to provide a stable budgeting mechanism for pension accrual within government. The discount rate for Resource Accounts is set each year by HM Treasury to reflect the requirements of IAS19.

The pensionable payroll for the financial year 2013-14 was £264.2 million. Based on this information, the accruing cost of pensions in 2013-14 (at 51.0% of pay) is assessed to be £135 million. There is no past service cost and so this is the total pension cost for 2013-14.

**Government Actuary's Department**

**15 May 2014**

## 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 combined financial statements must give a true and fair view of the state of affairs of the JPS at the year end and of the net resource outturn and cash flows for the year then ended. 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 Chapter Three of Managing Public Money, published by HM Treasury.

## **Governance Statement**

### **Scope of Responsibility**

I am Permanent Secretary of the Ministry of Justice (MoJ). I was appointed on 2 July 2012. As the Permanent Secretary of the MoJ, I am the Accounting Officer for the Judicial Pensions Scheme (JPS) and have responsibility for maintaining a sound system of internal control that supports the achievement of the Ministry of Justice's (MoJ) policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

MoJ, as lead department for judicial pensions within the UK, has full responsibility for the central administration of the JPS. The JPS Estimate covers the payment of pensions and other related benefits normally paid out of funds voted by Parliament. It also includes pension contributions from bodies with judicial appointments, in the form of accrued superannuation liability charges, and members' contributions.

The JPS Estimate excludes the payment of pension benefits met directly from the Consolidated Fund (CF), which are authorised by the Exchequer Fund Account Team (EFA) of HM Treasury.

As Accounting Officer, I work with Ministers and senior MoJ Management through the Departmental Board and other meetings and correspondence to implement the MoJ's plans, allocate resources and delegate financial authority to senior staff. I delegate responsibility for the administrative and operational activities of the JPS to the Director of Judicial Policy, Pay and Pensions, who manages the Judicial Pay and Pensions (JP&P) Team. The team was part of the Corporate Performance Group within the MoJ until 3 June 2013, when it became part of the Law and Access to Justice Group. Pat Lloyd was the Director until 31 March 2014. I therefore place reliance upon the annual assurance from Pat Lloyd, the Director of Judicial Policy, Pay and Pensions during the financial year 2013-014, as evidenced by her endorsement of this Governance Statement. Since 1 April 2014 Nick Goodwin has been the Director of Judicial Policy, Pay and Pensions.

### **The purpose of the Governance Arrangements**

The governance arrangements are designed to ensure that scheme outcomes are delivered and associated risk is managed to a reasonable level within the money provided and in line with the rules of the scheme. Overall the governance is intended to ensure agreed policies and processes are compliant. The governance in place is designed to provide reasonable and not absolute assurance of effectiveness. The governance draws on an ongoing process designed to identify and prioritise the risks to the achievement of JPS policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. In particular, governance is designed to safeguard against fraud and minimise omissions and material errors in the payment of pensions and receipt of contributions from Appointing Bodies and JPS members.

The governance arrangements were in place in the MoJ for the year ended 31 March 2014 and up to the date of approval of the annual accounts accords with Treasury guidance.

## Governance Framework

The JPS Board oversees the financial, accounting and administrative functions of the Scheme. It is a requirement that the Board is chaired by an independent chairperson, outside of the JPS's administration structure. The Chair of the JPS Board since 1 April 2011 is Steve Gillespie, Finance Director, Her Majesty's Courts and Tribunals Service. The Board's members include the Director of Judicial Policy, Pay and Pensions (JPP&P), a senior representative from MoJ Corporate Finance, a senior representative from the MoJ Estimates Team, a senior representative from Internal Audit Division, the Deputy Director Judicial Pay & Pensions, the Scheme Administrator and the JPS Accountant (a full list of the current Board members is included in the Report of the Managers).

The full range of duties and responsibilities are set out in the Board's Terms of Reference. Standing agenda items for every meeting include;

- The report of the Scheme Administrator
- The risk register and issues log
- The key issues for the JPS (currently pension reform and litigation concerning retrospective pension rights by fee paid judicial office holders).
- Corporate governance compliance

The Board manages risks actively using a risk register approach, challenging at each meeting the reported impact and likelihood of each risk. The Board also maintains an issues log which is reviewed at each meeting. Beyond that the Board continues to endorse the response to the risk that was identified that payments may be continuing to deceased pensioners by adopting an industry accepted practice of "Proof of Life" to mitigate this.

In addition to the risk register and issues log, pension reform and the fee-paid litigation are included as specific agenda items and the Board receive a comprehensive update on the current position on both issues from the Deputy Director and/or the Scheme Administrator at every meeting.

Within the MoJ, the Programme Board (previously known as the Project Board) oversees the work on retrospective pension rights and judicial pension reform. There is cross-membership with the JPS Board. Pat Lloyd was a member of both boards and since April 2014 the Chair of the JPS Board, Steve Gillespie, has been member of the Programme Board. The Programme Board is chaired by Nick Goodwin, Director of JPP&P. This enables the JPS Board to identify any areas of concern for the scheme. The Programme Board also oversees the work on the Judicial Pension and Payroll Administration (PAPA) Project (see below). In addition, both the Corporate Finance Representative and the Scheme Accountant meet regularly with members of the O'Brien working group and have liaised with the JPS Board to establish the provision for fee paid pension entitlements set out on pages 40 and 41.

The Board met four times in the financial year 2013-14. The table below shows the attendance at each meeting.

<b>Date of Meeting/Board Member</b>	<b>17.4.13</b>	<b>4.7.13</b>	<b>9.10.13</b>	<b>27.2.14</b>
Chairman	Attended	Unable to attend	Attended	Attended
Director of Judicial Policy, Pay & Pensions (Pat Lloyd)	N/A	Attended (Acting Chairman for this meeting)	Attended	Attended
Corporate Finance Representative	Attended	Attended	Attended	Attended
Deputy Director, Pension & Judicial Reward	Attended	Unable to attend	Attended	Unable to Attend
Estimates Representative (Note: only required when the Scheme Estimates are approved)	Not required	Not required	Not required	Attended
Scheme Administrator	Attended	Attended	Attended	Attended
JPS Accountant	Attended	Attended	Attended	Attended
Internal Audit Representative	Attended	Unable to attend	Attended	Unable to attend

In line with good practice, Terms of Reference for the Board are reviewed annually and arrangements are in place for the Board to review its own effectiveness. It has ensured that all action points have been followed up and that the key risks are reviewed at every meeting.

As part of this review the Board have expanded the Terms of Reference to incorporate its role in providing an assurance to the Permanent Secretary and Accounting Officer by providing oversight of the framework of internal controls and oversight and approval of this Governance Statement. The membership and structure of the Board have also been incorporated into the Terms of Reference.

I have structures in place which support the assurance process. These are utilised as required. These bodies are:

- The Departmental Board (DB) and Executive Management Committee of the Board (EMCB)
- MoJ Audit and Risk Committee (ARC)

No issues were referred to the above via the Senior Management Team (SMT) in 2013-14.

- Internal Audit Division (IAD)

The Director Judicial Policy, Pay & Pensions is responsible for the administrative and operational activities of the JPS. They are supported by the Deputy Director and the Judicial Pay and Pensions (JP&P) team which includes the Scheme Administrator. Since 3 June 2013 the JP&P team has been part of Law and Access to Justice Group that sits within the authority of Catherine Lee, the Acting Director General. In January 2014 the team became part of the newly formed Judicial Policy, Pay and Pensions Directorate.

Financial reporting for the JPS is carried out by the Financial Reporting and Control Section

of MoJ Corporate Finance in accordance with a Service Level Agreement.

Equiniti Paymaster Limited (Paymaster) is contracted to provide payroll services for the payment of lump sums, base pensions and pension increases which are paid from the Consolidated Fund and the JPS Estimate. They were formerly known as Xafinity Paymaster. Paymaster operates appropriate governance and internal control arrangements and these services are audited. The JP&P team actively manages and monitors the performance of Paymaster under the contract and Paymaster provides an assurance to support their governance and control arrangements.

Liberata UK Limited (Liberata) maintains and manages the JPS accounts at the Government Banking Service. Liberata also provides and maintains the accounting system that supports the JPS accounts. These services are provided under the terms of the company's contract with the MoJ. Liberata provides an assurance that the services provided by them have been delivered in compliance with the assurance and control requirements of that contract.

The JPS is a small public service pension scheme with 2,205 active members and 1,937 pensioners as at 31 March 2014. In line with the guidance of the Corporate Governance Code the Board has reviewed and concluded there are areas within the Code which are not felt to be appropriate. These include the membership and composition of the Board where Ministerial or non-executive director involvement is not needed. I am satisfied that can be explained on grounds of appropriateness and proportionality and I am also satisfied that adequate oversight and control of the JPS has been maintained throughout the period covered by these accounts.

## **Risk Assessment and Management**

The Department's Risk Management Strategy, Policy and Framework document, approved and endorsed by the Corporate Management Board (now the Departmental Board) was initially published in July 2008, with an updated version published in April 2010. The document is available to all staff on the MoJ's intranet. This, in conjunction with the guidance on the Quarterly Risk Reporting process sets out the department's attitude to risk in the achievement of its policies and objectives, and provides guidance on the process of identifying, assessing and managing risk.

Risks that threaten the JPS's objectives are identified and analysed in terms of impact, materiality and probability, assigned to an individual owner and reported regularly at JPS Board level.

The JP&P team is represented on the Knowledge and Information Liaison Officers network which provides a structured and co-ordinated approach throughout the department for data protection and handling matters.

All members of the JP&P team have successfully completed the computer based security training programme required annually of all MoJ staff. The JP&P Team's procedures and processes comply with MoJ policies, for example the "clear desk" policy. Hard copy records are securely held with access restricted to team members and authorised personnel. Access to the electronic records is also restricted and access to the pension data base must be authorised by the Scheme Administrator.

The other key elements in the JPS's control system are regular financial and management

information. This includes management reports by the Scheme Administrator to the JPS Board, together with financial reports, on an exception basis, and the position on any business risk – financial, accounting and operational. The JPS Board also regularly reviews the JPS Risk Register and Issues Log.

There were no new risks identified and no ministerial directions were given. There were no lapses of data security.

### **Future pension and payroll administration**

During 2013-14 the Judicial Pension and Payroll Administration (PAPA) Project was established to look at the future administration of judicial pensions and payroll. The outline business case for administration of the judicial pension and payroll services was approved by the MoJ HQ Approvals Group and an Invitation to Tender was launched on 27 March 2014. It is intended that a third party service provider will be appointed to provide these services from 2015 though production of the JPS accounts will continue to be done by the Department.

The Programme Board, which includes members of the JPS Board, has oversight of the PAPA Project.

### **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 internal auditors, the Director, Deputy Director and administrators of the JPS, who have responsibility for the development and maintenance of the governance framework, and comments made by the external auditors in their management letter and other reports. The key elements of the governance arrangements are set out above and contribute to my review of its effectiveness.

### **Significant Compliance Issues**

In accordance with the Risk and Control framework, the JPS's administrative processes are reviewed by Internal Audit Division (IAD) every year. The internal audit for 2013-14 focused upon the governance, risk management and control processes and the oversight arrangements for the scheme. Their report made two recommendations, each with a priority 2 marking, indicating significant weaknesses in control where remedial action should be taken as soon as possible:

1. That provision is made and guidance provided for interim governance arrangements to be defined and in place during the transition period.
2. That governance arrangements are strengthened by formalising responsibilities and that contingency arrangements are provided for the business critical role of Scheme Administrator.

Action is being taken to address these recommendations. It is envisaged that the current JPS Board will continue in its role until the 2014-15 accounts are signed. A policy paper setting out the interim arrangements, in particular the interaction between the current arrangements and the shadow Pension Board, sets out this position.



The current Director of JPP&P is in the process of appointing a temporary Deputy Director. This appointment will support and strengthen the role of the Scheme Administrator and provide a resource to enable critical work, such as approval of pension awards, to continue in her absence.

This statement applies to the JPS. The Governance Statement for the Ministry of Justice as a whole is available as part of the Department's Annual Report and Accounts for 2013-14, which are published on its website.

Ursula Brennan  
Accounting Officer

Dated: 7 July 2014

Pat Lloyd  
Director of Judicial Policy, Pay and  
Pensions

Dated: 1 July 2014



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

I certify that I have audited the financial statements of the Judicial Pensions Scheme for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and related notes. These financial statements have been prepared under the accounting policies set out within them.

### **Respective responsibilities of the Accounting Officer and auditor**

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. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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. This includes an assessment of: whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Report of the Managers and Report of the Actuary to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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.

## **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 2014 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.

## **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Scheme's affairs as at 31 March 2014 and of its net operating cost 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 other matters**

In my opinion:

- 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 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.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

**Date 9<sup>th</sup> July 2014**

# Statement of Parliamentary Supply

## Summary of Resource and Capital Outturn 2013-14

		2013-14 Estimate			2013-14 Outturn			2013-14	2012-13
									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								
SoPS 2	- Resource	572,233	82,200	654,433	(440,070)	81,000	(359,070)	1,012,303	1,156,682
	- Capital	-	-	-	-	-	-	-	-
	Total Budget	572,233	82,200	654,433	(440,070)	81,000	(359,070)	1,012,303	1,156,682
	Non-Budget								
	- Resource								
	<b>Total</b>	<b>572,233</b>	<b>82,200</b>	<b>654,433</b>	<b>(440,070)</b>	<b>81,000</b>	<b>(359,070)</b>	<b>1,012,303</b>	<b>1,156,682</b>
	Total Resource	572,233	82,200	654,433	(440,070)	81,000	(359,070)	1,012,303	1,156,682
	Total Capital	-	-	-	-	-	-	-	-
	<b>Total</b>	<b>572,233</b>	<b>82,200</b>	<b>654,433</b>	<b>(440,070)</b>	<b>81,000</b>	<b>(359,070)</b>	<b>1,012,303</b>	<b>1,156,682</b>

## Net cash requirement 2013-14

		2013-14 Estimate	2013-14 Outturn	2013-14 Outturn compared with Estimate: saving/ (excess)	2012-13 Outturn
		£'000	£'000	£'000	£'000
Note					
Net cash requirement	SoPS 4	(44,947)	(50,108)	5,161	(52,551)

## Administration costs 2013-14

		2013-14 Estimate	2013-14 Outturn	2012-13 Outturn
		£'000	£'000	£'000
Note				
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 2.

The notes on pages 25 to 27 form part of these accounts.

## **Notes to the Judicial Pensions Scheme Accounts (Statement of Parliamentary Supply) for the year ended 31 March 2014**

### **SoPS 1. Statement of accounting policies**

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2013-14 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

#### **SoPS 1.1 Accounting convention**

The Statement of Parliamentary Supply and related notes are presented consistently with Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

#### **SoPS 1.2 Comparison with IFRS-based accounts**

In the JPS transactions are treated in the same way in National Accounts as in IFRS-based accounts. 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.

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.

## SoPS 2 Net outturn

2013-14											2012-13 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	-	-	-	(344,222)	(95,848)	(440,070)	(440,070)	572,233	(1,012,303)	(1,012,303)	1,082,882
Non-voted	-	-	-	81,000	-	81,000	81,000	82,200	(1,200)	(1,200)	73,800
Total	-	-	-	(263,222)	(95,848)	(359,070)	(359,070)	654,433	(1,013,503)	(1,013,503)	1,156,682

The outturn is considerably below Estimate primarily because a significant proportion of the fee paid judges provision, £501,622k, has been released. This decision has been made following the most recent legal counsel advice. This leaves a provision of £518,451k. The estimate amount of an additional £509,000k was to cover the worst case scenario, a prudent approach always being adopted for estimates. The non-voted expenditure is for the current service costs of higher judiciary judges paid from the Consolidated Fund.

## SoPS 3. Reconciliation of net resource outturn to net expenditure

		2013-14	2012-13
Notes	Outturn	Outturn	
	£'000	£'000	
Voted – net resource outturn in Statement of Parliamentary Supply	SoPS 2	(440,070)	1,082,882
Non-voted - non-supply expenditure	SoPS 2	81,000	73,800
<b>Net expenditure in Statement of Comprehensive Net Expenditure</b>		<b>(359,070)</b>	<b>1,156,682</b>

## SoPS 4. Reconciliation of Net Resource Outturn to Net Cash Requirement

		2013-14	2013-14		2012-13
				Net Total Outturn compared with estimate: saving/ (excess)	
	Note	Estimate £'000	Outturn £'000	£'000	£'000
Resource outturn	SoPS 2	654,433	(359,070)	1,013,503	1,156,682
Accruals adjustments					
Non-cash items – Current Service and Interest costs		(241,000)	(238,000)	(3,000)	(229,000)
Non-cash items – Contributions receivable directly by the Consolidated Fund		-	(155)	155	98
Non cash items – Income attributable to Judiciary at the Corporation of London		-	105	(105)	103
Changes in working capital other than cash					
Increase/(decrease) in receivables		-	104	(104)	(2,278)
(Increase)/decrease in payables		-	(15)	15	149
Use or provisions					
Fee paid judges provision	12(a)	(509,000)	501,622	(1,010,622)	(1,020,073)
Use of pension provision	12(g)	50,620	45,301	5,319	41,768
<b>Net cash requirement</b>		<b>(44,947)</b>	<b>(50,108)</b>	<b>5,161</b>	<b>(52,551)</b>

## SoPS 5. 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)

	2013-14 Outturn		2012-13 Outturn	
	Income £'000	<i>Receipts</i> £'000	Income £'000	<i>Receipts</i> £'000
Excess cash receipts surrenderable to the Consolidated Fund	50,108	<i>50,108</i>	50,464	<i>50,464</i>
<b>Total income payable to the Consolidated Fund</b>	<b>50,108</b>	<b><i>50,108</i></b>	<b>50,464</b>	<b><i>50,464</i></b>

## Statement of Comprehensive Net Expenditure for the Year Ended 31 March 2014

	Note	2013-14		2012-13	
		£'000	£'000	£'000	£'000
<b>Income</b>					
Contributions receivable	3	(95,187)		(92,131)	
Other pension income	4	(661)		(660)	
			(95,848)		(92,791)
<b>Expenditure</b>					
Service cost	5	135,000		123,000	
Pension financing cost	6	103,000		106,000	
Fee paid judges provision	12a	(501,622)		1,020,073	
Administration expenses	7	400		400	
			(263,222)		1,249,473
<b>Net Expenditure</b>			<b>(359,070)</b>		<b>1,156,682</b>
<b>Other Comprehensive Net Expenditure</b>					
Recognised gains and losses for the financial year:					
Other re-measurement	12h		294,000		178,000
<b>Total Comprehensive Net Expenditure for the year ended 31 March 2014</b>			<b>(65,070)</b>		<b>1,334,682</b>

The notes on pages 32 to 47 form part of these accounts



# Statement of Financial Position as at 31 March 2014

		31 March 2014		31 March 2013	
	Note	£'000	£'000	£'000	£'000
<b>Current Assets:</b>					
Receivables	9	7,797		7,693	
Cash and cash equivalents	10	11,589		11,383	
<b>Total current assets</b>			19,386		19,076
<b>Current Liabilities:</b>					
Payables (within 12 months)	11	(14,682)		(11,231)	
<b>Total current liabilities</b>			(14,682)		(11,231)
<b>Net current assets, excluding pension liability</b>			4,704		7,845
Pension liability	12c		(2,922,293)		(2,496,692)
Provisions	12a		(518,451)		(1,020,073)
<b>Net liabilities, including pension liability</b>			<b>(3,436,040)</b>		<b>(3,508,920)</b>
<b>Taxpayers' equity:</b>					
General fund			(3,436,040)		(3,508,920)
			<b>(3,436,040)</b>		<b>(3,508,920)</b>

Ursula Brennan  
Accounting Officer

Date: 7 July 2014

The notes on pages 32 to 47 form part of these accounts

## Statement of Changes in Taxpayers Equity for the Year Ended 31 March 2014

		2013-14	2012-13
	Note	£'000	£'000
<b>Balance at 1 April</b>		(3,508,920)	(2,184,102)
Consolidated Fund Standing Services:			
Pension payable by the Consolidated Fund	12(f)	61,098	59,901
Accruals adjustment for pension payable by the Consolidated Fund regarding other years		-	628
Contributions payable/(receivable) directly by the Consolidated Fund		155	(98)
Income attributable to the Judiciary at the Corporation of London		(105)	(103)
CFERs payable to the Consolidated Fund	SoPS 5	(50,108)	(50,464)
Prior year CFER payable		(3,230)	-
Comprehensive Net Expenditure for the year	SoPS 3	359,070	(1,156,682)
Other re-measurement - gain/(loss)	12(h)	(294,000)	(178,000)
<b>Balance at 31 March</b>		<b>(3,436,040)</b>	<b>(3,508,920)</b>

The notes on pages 32 to 47 form part of these accounts

## Statement of Cash Flows for the Year Ended 31 March 2014

	Note	2013-14 £'000	2012-13 £'000
<b>Cash flows from operating activities:</b>			
Net expenditure for the year	SoPS 3	359,070	(1,156,682)
Adjustments for non-cash transactions:			
Contributions payable/(receivable) by the Consolidated Fund		155	(98)
Income attributable to Judiciary at the Corporation of London		(105)	(103)
Movement in fee paid judges provision	12a	(501,622)	1,020,073
Adjustment in respect of working capital		(89)	2,129
Increase in pension provision	5 & 6	238,000	229,000
Use of provisions	12(g)	(45,301)	(41,768)
<b>Net increase in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund</b>		<b>50,108</b>	<b>52,551</b>
Payment of amounts due to the Consolidated Fund – current year		(41,748)	(42,311)
Payment of amounts due to the Consolidated Fund – prior year	10 & 11	(8,154)	(8,443)
<b>Net decrease in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund</b>		<b>206</b>	<b>1,797</b>
<b>Cash and cash equivalents at the beginning of the year</b>	10	11,383	9,586
<b>Cash and cash equivalents at the end of the year</b>	10	<b>11,589</b>	<b>11,383</b>

The notes on pages 32 to 47 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 2013-14 Government Financial Reporting Manual (FReM), issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector. IAS 19 *Employee Benefits* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans* are of particular relevance to these statements.

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

#### 1.1 Judicial Pensions Scheme (JPS)

The Judicial Pensions Scheme is a contracted out, unfunded, defined benefit pay-as-you-go occupational pension scheme administered by the Ministry of Justice's Judicial Pay and Pensions Team (JPP) open to members of the Judiciary who satisfy the membership criteria.

Contributions to the JPS by employers and members are set at rates determined by the Government Actuary's Department (GAD) and approved by the JPS Board. The contributions partially fund payments made by the JPS, the balance of funding being provided by Parliamentary Vote, through the annual Supply Estimates process, and directly from the Consolidated Fund. The administrative expenses associated with the operation of the JPS are borne by the Ministry of Justice and reported in that entity's financial statements (note 2.1.13 refers).

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

The financial statements also have regard to the Statement of Recommended Practice (SORP) entitled Financial Reports of Pension Schemes as adapted by the Treasury for public sector pension schemes. They 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 2014 shows a pension liability of £2,922,293,000 and a provision of £518,451,000 for fee paid judges (2012-13: £2,496,692,000 with a provision of £1,020,073,000 for fee paid judges). The significant release of the fee paid judges provision (£501,622,000) is based on the most recent legal

counsel advice.

Other movements in the liability reflect the inclusion of liabilities falling due in the long-term, which are to be financed mainly by drawings from the Consolidated Fund. Such drawings will be grants of Supply approved annually by Parliament to meet the JPS's pension benefits, which come into payment each year.

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

In common with other public sector pension schemes, the future financing of the JPS's liabilities is to be met by future grants of Supply and the application of future pension contributions, both to be approved annually by Parliament. Such approval for amounts required for 2014-15 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.

#### **2.1.1 Pension contributions receivable**

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

WPS contributions under the 1993 Act are accounted for on an accruals basis. Under the 1981 Act, members could elect to pay WPS contributions either throughout their service or through a reduction in their lump sum upon retirement. Where members have elected to pay these contributions throughout their service, they are accounted for on an accruals basis.

If a member has no dependants at retirement then they will receive a refund of WPS contributions for the period of service when they had no dependents. These refunds are paid with the lump sum on retirement and are accounted for on a cash basis.

Personal pension contributions (PPCs) from members were introduced from 1 April 2012. They are accounted for on an accruals basis.

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.

### **2.1.2 Other pension income**

The Ministry of Justice (MoJ) is the manager of the JPS. Within the 32.15% Accruing Superannuation Liability Charges (ASLCs) received from Appointing Bodies is a 0.25% administration fee recognised as other pension income in these accounts.

### **2.1.3 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.

### **2.1.4 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.

### **2.1.5 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 4.1 per cent (2012-13 4.85 per cent) is consistent with the assumptions used for current service costs (2.1.4 above).

### **2.1.6 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 2013-14 is 1.8 per cent per annum real (2012-13: 2.35 per cent). The valuation takes account of the overnight change in the Scheme's liabilities as a result of the change in the discount rate to 1.8 per cent real as at 31 March 2014. Such changes are recognised in the Statement of Comprehensive Net Expenditure for the year as advised by HM Treasury.

Full actuarial valuations by a professionally qualified actuary are obtained at intervals not exceeding four years with interim valuations every two years. The full valuation was carried out as at 31 March 2009. However GAD is currently working on a full valuation at 31 March 2012 in line with revised HM Treasury requirements and this should be completed later this year.

### **2.1.7 Provision for fee paid judges pension 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.

Following a UK Supreme Court ruling on 6 February 2013, it has been determined that a fee paid judicial office holder is entitled to a pension on terms equivalent to those applicable to a salaried circuit judge. This lead case set the precedent for other stayed cases. As such, the pension entitlements of eligible fee paid judicial office holders have been estimated and recorded as a provision on the Statement of Financial Position.

The provision for the fee paid judicial office holders pension entitlements is subject to a degree of uncertainty as they are calculated using assumptions which are to be appealed to the Employment Appeals Tribunal. In addition, a level of uncertainty also stems from the pension liability actuarial assumptions adopted by GAD.

Further information about the provision is set out in Note 12.

#### **2.1.8 Pension benefits payable**

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

#### **2.1.9 Pension payments to those retiring at their normal retirement age**

Since a retiring member of the JPS has no choice over the allocation of benefits receivable between the value of the lump sum and the annual pension, the transaction is accounted for as a decrease in the scheme liability on an accruals basis.

#### **2.1.10 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.

#### **2.1.11 Lump sums payable on death in service (or death early in 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.

#### **2.1.12 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.

#### **2.1.13 Administration fees**

The JPS is authorised by HM Treasury to pay the Ministry up to £400,000 of the

administration fees received, per annum. In 2013-14 the full £400,000 was passed over to the Ministry, deemed as the cost of administering the JPS. This payment is reported in MoJ's accounts.

The administration of the JPS is carried out by staff from the Judicial Pay and Pensions Team, since January 2014 part of the new Judicial Policy, Pay and Pensions Directorate of the Ministry of Justice. Prior to this the team were part of the Law and Access to Justice Group. The costs of the JPP team are paid by the MoJ.

### 2.1.14 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.

### 2.1.15 Consolidated Fund pension payments

Pension payments met directly from the Consolidated Fund and not from the funds held by the JPS are reflected in these accounts as notional expenditure. The JPS has no control over the issue of these payments. The ultimate control for pensions paid out of the Consolidated Fund remains with the National Audit Office's Exchequer Section

## 3. Pension contributions receivable

	2013-14 £'000	2012-13 £'000
Employers; appointing bodies:		
Accruing Superannuation Liability Charges (ASLCs)	84,357	84,250
Employees; Judicial Office-holders:		
Normal contributions: Widow(er)s' Pension Scheme (WPS)	4,200	4,376
Normal contributions: Personal Pension Contributions (PPCs)	6,352	3,124
Purchase of Added Years: internal JPS AVC's only	278	381
	<b>95,187</b>	<b>92,131</b>

£97 million contributions are expected to be payable to the JPS in 2014-15.

Some Judicial Office-holders (those in the 1981 scheme and those who have transferred from the 1981 scheme into the 1993 scheme) may fluctuate their contributions from year to year. These members can elect to change their rates of contributions and in the 1981 scheme elect to defer their contribution payments until they receive their lump sums.

## 4. Other pension income

	2013-14 £'000	2012-13 £'000
Administration fees receivable from appointing bodies	661	660
	<b>661</b>	<b>660</b>



## 5. Service Cost

	2013-14 £'000	2012-13 £'000
Current service cost: (see note 12e)		
Judiciary paid from the JPS Estimate and pension increases for all Judiciary	54,000	49,200
Judiciary paid from the Consolidated Fund (notional expenditure)	81,000	73,800
	<b>135,000</b>	<b>123,000</b>

The service cost is apportioned between Vote and non-Vote expenditure based on a percentage split provided by the Government Actuary's Department. The 2013-14 pension cost has been allocated at 40% Vote and 60% non-Vote (2012-13: 40% Vote and 60% non-Vote).

## 6. Pension financing cost

	2013-14 £'000	2012-13 £'000
Net interest on defined pension liability (see note 12e)	103,000	106,000
	<b>103,000</b>	<b>106,000</b>

## 7. Administration Expenses

	2013-14 £'000	2012-13 £'000
Administration expenses paid to the Ministry	400	400
	<b>400</b>	<b>400</b>

### 8.1 Additional Voluntary Contributions to External Approved Providers

The JPS provides for members to make additional voluntary contributions (AVCs) to increase their pension entitlements. Members may arrange to have agreed sums deducted from their salaries for onward payment to the approved providers, the Equitable Life Assurance Company and Prudential plc. The managers of the JPS have responsibility only for the onward payment, by Appointing Bodies, of members' contributions to the provider. These AVCs are not reflected in the primary financial statements. Members of the JPS participating in this arrangement receive an annual statement from the provider confirming the amounts held to their account and the movements in the year. The aggregate amounts of AVC investments are as follows:

	Equitable Life		Prudential	
	2013-14	2012-13	2013-14	2012-13
	£'000	£'000	£'000	£'000
<b>Movements in the year</b>				
Balance at 1 March / 1 April	546	495	2,640	2,023
New investments	16	29	481	517
Leavers, transfers and withdrawals	-	(24)	-	12
Sales of investments to provide pension benefits	(153)	-	(576)	(113)
Changes in market value of investments	52	46	91	201
Contribution received but not yet used to purchase benefits	(1)	-	-	-
<b>Balance at 28 February / 31 March</b>	<b>460</b>	<b>546</b>	<b>2,636</b>	<b>2,640</b>
Contributions received to provide life cover	0.1	1	1	1

Note that the figures for Equitable Life cover the period 1 March 2013 to 28 February 2014 while the Prudential figures are for the period 1 April 2013 to 31 March 2014. Equitable Life only provides a valuation at their anniversary date which is 28 February.

## 8.2 Additional Voluntary Contributions – 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 Benefit Scheme (JABS) (for 1981 Act members only). JABS enables members to increase the level of benefits payable from their main Judicial Pensions Scheme.
- The Judicial Added Years Scheme (JAYS) (for 1993 Act members only). JAYS enables members of the 1993 Scheme to increase the length of service and the benefits at retirement.
- The Judicial Added Surviving Spouse’s Pension Scheme (JASSPS) (for 1993 Act members only). JASSPS enables 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.

## 9. Receivables – contributions due in respect of pensions

### 9 (a) Analysis by type

#### Amounts falling due within one year

	2013-14 £'000	2012-13 £'000
Pension contributions due from appointing bodies:		
Accruing Superannuation Liability Charges (ASLCs), including administration fees	6,887	7,046
Pension contributions due from Judicial Office-holders:		
Normal contributions - Widow(er)s' Pension Scheme (WPS)	362	358
Normal contributions -Personal Pension Contributions (PPCs)	530	261
Purchase of Added Years: internal JPS AVC's only	18	28
Overpaid pensions to be returned	-	-
Lump sums paid early	-	-
	<b>7,797</b>	<b>7,693</b>

### 9 (b) Analysis by organisation

#### Amounts falling due within one year

	2013-14 £'000	2012-13 £'000
Balances with other central government bodies	6,887	7,046
Balances with bodies external to government	910	647
	<b>7,797</b>	<b>7,693</b>

## 10. Cash and cash equivalents

	2013-14 £'000	2012-13 £'000
Balances as at 1 April	11,383	9,586
Net change in cash balances	206	1,797
<b>Balance at 31 March</b>	<b>11,589</b>	<b>11,383</b>
The following balances at 31 March were held at:		
Government Banking Service	8,101	8,154
Equiniti Paymaster	3,488	3,229
<b>Balance at 31 March</b>	<b>11,589</b>	<b>11,383</b>

In 2013-14 cash held by Equiniti Paymaster (formerly Xafinity Paymaster) is due to pensioners and other counterparties and will be paid in 2014-15. As in 2012-13 it is mainly tax due to HMRC and lump sums to be paid to beneficiaries.

## 11. Payables – in respect of pensions

### 11 (a) Analysis by type

	2013-14 £'000	2012-13 £'000
<b>Amounts falling due within one year</b>		
Death in service and early retirement payments	281	643
Tax due to HM Revenue and Customs	2,768	2,343
Contributions received in advance	11	58
Administration charges due to Ministry of Justice	33	33
Total payables excluding CF creditor	3,093	3,077
 Extra receipts due to the Consolidated Fund	 11,589	 8,154
	<b>14,682</b>	<b>11,231</b>

### 11 (b) Analysis by organisation

	2013-14 £'000	2012-13 £'000
<b>Amounts falling due within one year</b>		
Balances with other central government bodies	14,401	10,588
Balances with bodies external to government	281	643
<b>Total Payables</b>	<b>14,682</b>	<b>11,231</b>

## 12. Provisions for pension liability

### 12 (a) Provision for fee paid judges pension entitlements

The provision for fee paid pension entitlements represents a liability relating to fee paid judicial office holders who have claimed, or are eligible to claim, retrospective pension rights. On 6 February 2013 the UK Supreme Court ruled that a recorder (a fee paid judicial office holder) is entitled to a pension on terms equivalent to those applicable to a salaried circuit judge. The matter was referred back to the Employment Tribunal for remedy and there have been several preliminary hearings to date about fee-paid judicial office holders. In August 2013 the Employment Tribunal ruled that Mr O'Brien (the lead case) should receive pension benefits from his date of appointment. This was overturned by the Employment Appeal Tribunal (4 March 2014) and the current ruling is that pension benefits are due from 7 April 2000 when the Part-time Workers Regulations 2000 should have been transposed. This ruling is now subject to appeal to the Court of Appeal and is not expected to be heard until Autumn 2014.

In January 2014 the Employment Tribunal ruled in the Miller case on time points and a number of monetary claims. This has informed the provision made in the 2013-14 accounts. This ruling is being appealed to the Employment Appeal Tribunal.

JPS is required to pay pension entitlements to eligible fee paid judicial officials and the provision has been based on the most recent legal counsel advice and GAD calculations relating to historical contributions. As a result of these factors the provision has been reduced from £1,020,073k to £518,451k in 2013-14.

A separate element of the pension liability relating to fee paid judges has also been estimated for those already retired. While pension payments will be made through the JPS, the JPS does not have the authority to make payments in respect of this separate element. Therefore, the responsibility to make these payments falls to MoJ and accordingly the separate element has been recorded in the MoJ accounts.

	2013-14 £'000	2012-13 £'000
Balances at 1 April	1,020,073	-
Provided in the year – fee paid judges pension liability	-	1,020,073
Released in the year – fee paid judges pension liability	(501,622)	-
Use of provisions	-	-
<b>Balance at 31 March</b>	<b>518,451</b>	<b>1,020,073</b>

## 12 (b) Assumptions underpinning the provision for pension liability

The Judicial Pensions Scheme is an unfunded defined benefit scheme. The Government Actuary's Department is undertaking a full actuarial valuation as at 31 March 2012. Full membership data has been supplied to GAD as at 31 March 2012, and this data has been used to form the basis of this assessment. This meets the FReM requirement that "the period between formal actuarial valuations shall be four years, with approximate assessments in intervening years." The Report of the Actuary, on pages 10 to 13, sets out the scope, methodology and results of the work the actuary has carried out.

The Scheme Manager together with the actuary and the auditor have signed a Memorandum of Understanding that identifies, as far as practicable, the range of information that the Scheme Manager should make available to the actuary in order to meet reporting requirements. This information includes, but is not limited to, details of:

- JPS membership, including age and gender profiles, active membership, deferred pensioners and pensioners;
- benefit structure, including details of any discretionary benefits and any proposals to amend the JPS;
- income and expenditure, including details of expected bulk transfers into or out of the JPS; and
- 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 2014	At 31 March 2013	At 31 March 2012	At 31 March 2011	At 31 March 2010
Rate of increase in salaries	4.5%	3.9%	4.25%	4.9%	4.3%
Rate of increase in pensions in payment and deferred pensions	2.5%	1.7%	2.0%	2.65%	2.75%
Inflation assumption	2.5%	1.7%	2.0%	2.65%	2.75%
Nominal discount rate	4.35%	4.1%	4.85%	5.6%	4.6%
Discount rate net of price inflation	1.8%	2.35%	2.8%	2.9%	1.8%
Mortality rates at aged 60 (life expectancy in years)					
Current retirements					
Females	32.4	30.4	30.2	30.3	30.2
Males	30.4	28.5	28.4	28.5	28.4
Retirements in 20 years time					
Females	34.1	33.1	33.0	32.7	32.6
Males	32.1	31.2	31.1	30.8	30.7

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 12d) 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.

## 12 (c) Analysis of the pension liability

	March 2014 £m	March 2013 £m	March 2012 £m
Liability relating to active members	1,413	1,306	1,205
Liability relating to deferred pensioners	13	4	3
Liability relating to pensioners in payment	1,497	1,187	984
<b>Scheme liability at 31 March</b>	<b>2,923</b>	<b>2,497</b>	<b>2,192</b>

The scheme liability as assessed by the actuary is based on a roll forward from the actuarial valuation as at 31 March 2012. It should therefore be recognised that the results may differ

from those that would emerge from a full actuarial review as at the accounting date, and in particular that the split between categories of member is unlikely to reflect the actual split that a full actuarial review would show. This is the professional judgement of the actuary based on the information provided by the Scheme Administrator (see the Report of the Actuary pages 10-13).

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 12(h). The note also discloses 'experience' gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

## **12 (d) Sensitivity analysis**

A sensitivity analysis for each significant actuarial assumption at 31 March 2014 is included below.

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty GAD have indicated the approximate effects on the actuarial liability as at 31 March 2014 of changes to the significant actuarial assumptions.

Changes to IAS19 published on 16 June 2011 introduced enhanced disclosure requirements for defined benefits pension schemes, including the JPS. In particular, these include a requirement to disclose a sensitivity analysis for each 'significant' actuarial assumption. The table below shows the indicative effects on the total liability as at 31 March 2014 of changes to these assumptions.

The principal financial assumptions are the future increases in pensionable salary due to general inflation (earnings increases), pension increases (both in payment and deferment), and the rate of interest (or discount rate) used to calculate the value of the benefits and contributions. A key demographic assumption is pensioner mortality.

As a result of the scheme reform, there is significant uncertainty on when members are expected to retire. The assumed age retirement rates will have a significant impact on the scheme liabilities and therefore we have included an indication of the approximate effect (on the total past service liability) of all members retiring one year later than assumed in the

main liability calculations.

The table below shows the indicative effects on the total liability as at 31 March 2014 of changes to these assumptions (rounded to the nearest ½%).

### Sensitivity to main assumptions

Change in assumption *		Approximate effect on total liability	
Rate of return			
(i)	discount rate: +½% a year	-7 %	- £200 million
(ii)	in excess of earnings growth: +½% a year	+ 1 ½%	+ £40 million
(iii)	in excess of pension increases: +½% a year	+ 6%	+ £180 million
Pensioner mortality			
(iv)	additional one year increase to life expectancy at retirement:	+ 3%	+ £90 million
Age retirement			
(v)	active members retiring in normal health (on average) 1 year later	- 1%	-£30 million

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

In these sensitivity runs it is assumed that all assumptions, other than the one that is listed, remain the same.

### 12 (e) Analysis of movement in scheme liability

	Note	2013-14 £'000	2012-13 £'000
Scheme liability at 1 April		2,496,692	2,191,917
Current service cost	5	135,000	123,000
Pension financing cost	6	103,000	106,000
Pension benefits payable	12(f)	(106,399)	(102,225)
Other re-measurement - (gains)/losses	12(h)	294,000	178,000
<b>Scheme liability at 31 March</b>		<b>2,922,293</b>	<b>2,496,692</b>

During the years ended 31 March 2014 and 31 March 2013, employer's contributions represented 32.15 per cent of pensionable pay. Employees' contributions were 2.4 or 1.8 per cent of earnings for the pension due to their spouse/civil partner after death. 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<sup>st</sup> April 2012 employee's contributions included personal pension contributions of 1.28%. From 1<sup>st</sup> April 2013 personal contributions were doubled to 2.56% and from 1<sup>st</sup> April 2014 they have been increased to 3.2%.



## 12 (f) Analysis of benefits paid

	2013-14		2012-13	
	£'000	£'000	£'000	£'000
Members – Base pensions	18,677		16,761	
Members – Pensions increase	14,345		13,376	
Members – Lump sum on retirement	5,247		4,852	
Dependants – Base pensions	1,865		1,814	
Dependants – Pensions increase	4,673		4,468	
Dependants – Lump sum on death of members	494		1,053	
<b>Pension benefits from payable from Supply</b>		<b>45,301</b>		<b>42,324</b>
Members – Base pensions	44,879		41,019	
Members – Lump sum on retirement	9,034		11,799	
Dependants – Base pensions	6,192		5,925	
Dependants – Lump sum on death of member	993		1,158	
<b>Pension benefits payable from Consolidated Fund</b>		<b>61,098</b>		<b>59,901</b>
<b>Total pension benefits payable charged against provision</b>		<b>106,399</b>		<b>102,225</b>

## 12 (g) Reconciliation of benefits payable to benefits paid per Statement of Cash Flows

	Note	2013-14		2012-13	
		£'000	£'000	£'000	£'000
Total pension benefits payable	12(f)		106,399		102,225
Pension benefits payable via the Consolidated Fund	12(f)		(61,098)		(59,901)
Adjustments for in year cash outflows relating to opening lump sum creditors					
Opening balance per payables note	11(a)	643		681	
Less amounts passing through SCNE already in the SoCF working capital entries		(56)		(52)	
Less amounts not passing through SCNE to be settled by the Consolidated Fund		(587)		(629)	
Sub-total			-		-
Adjustments for cash flows deferred relating to closing lump sum creditors:					
Closing balance per payables note	11(a)	(244)		(643)	
Add amounts passing through SCNE already in the SoCF working capital entries		244		87	
Sub-total			-		(556)
<b>Use of pension provision per Statement of Cash Flows</b>			<b>45,301</b>		<b>41,768</b>

## 12 (h) Analysis of other re-measurements

	2013-14 £'000	2012-13 £'000
Experience gains arising on the scheme liabilities	(78,000)	(24,000)
Gains/(losses) resulting from changes in assumptions underlying the present value of scheme liabilities	(216,000)	(154,000)
<b>Per Statement of Changes in Taxpayers Equity</b>	<b>(294,000)</b>	<b>(178,000)</b>

## 12 (i) History of experience gains and losses

	2013-14 £'000	2012-13 £'000	2011-12 £'000	2010-11 £'000	2009-10 £'000
<i>Experience gains/(losses) on scheme liabilities:</i>					
Amount	(78,000)	(24,000)	167,000	78,000	33,000
Percentage of the present value of the scheme liabilities at the balance sheet date	2.67%	0.96%	(7.62%)	(3.57%)	(1.38%)
<i>Total other re-measurement - gains/(losses):</i>					
Amount	(294,000)	(178,000)	137,000	175,000	(479,000)
Percentage of the present value of the scheme liabilities at the balance sheet date	10.06%	7.13%	(6.25%)	(8.02%)	20.03%

## 13. Financial Instruments

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

## 14. Contingent liabilities disclosed under IAS 37

The contingent liabilities disclosed in previous years crystallised as a provision in 2012-13 and as such JPS no longer has a contingent liability in respect of fee paid judicial office holder pension entitlements. Alongside claims for pension, there are a number of stayed cases which include claims for non-pension entitlements. These were not heard before the end of the reporting period or before these accounts were finalised. The Employment Tribunal is dealing with these claims and liability for these entitlements falls to the MoJ, as payments relating to non-pension entitlements are ultra vires for JPS.

## 15. Related-party transactions

The Judicial Pensions 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, and also

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.

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.

The Scheme Manager, key managerial staff or other related parties have not undertaken any material transactions with the JPS during the year.

## **16. Events after the reporting period**

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









