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**Judicial Pensions Scheme  
Annual Report and Accounts  
2015-16**

**(For the year ended 31 March 2016)**

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# **Judicial Pensions Scheme Annual Report and Accounts 2015 - 16**

**(For the year ended 31 March 2016)**

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 2016-17 and the document Public Expenditure: Statistical Analyses 2016, present the Government's outturn for 2015-16 and planned expenditure for 2016-17.



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## **ACCOUNTABILITY REPORT**

## **CORPORATE GOVERNANCE**

## **REPORT OF THE MANAGERS**

### **Background to the Judicial Pension Scheme**

The Judicial Pension Scheme (JPS) includes a number of judicial pension schemes that were contracted out of the State Second Pension (see also Contracting Out below). During 2015-16 the following schemes were operating:

#### **The 1981 Scheme**

Salaried Judges appointed prior to 31 March 1995 usually belong to a scheme established under the Judicial Pensions Act 1981. There is a right of election to transfer from the 1981 Scheme to the 1993 Scheme (see below) at any time up to a date 6 months after retirement.

#### **The 1993 Scheme**

Salaried Judges appointed between 31 March 1995 and 31 March 2015 usually belong to a scheme established under the Judicial Pensions & Retirement Act 1993 (JUPRA).

Both the 1981 and 1993 schemes are unfunded, final salary occupational pension schemes.

Members of the 1981 and 1993 schemes with full transitional protection remain in their current scheme. Those with tapering protection will move to the Judicial Pension Scheme 2015 (JPS 2015) (see below) when this comes to an end.

#### **The 2015 Scheme**

The JPS 2015 is a new scheme established under the Judicial Pensions Regulations 2015 which came into effect on 1 April 2015. All new eligible judicial office holders appointed for the first time from that date become members of the scheme, unless they decide to opt out.

The JPS 2015 is an unfunded career average scheme which includes both salaried and fee-paid judges.

#### **The Pension Partnership Account**

All judges eligible to join the JPS 2015 are able to opt to join the Partnership Pension Account (PPA) in lieu of joining the JPS 2015. Judges opting to join the PPA are no longer members of the JPS. However, a judge does retain the right to move between the JPS 2015 and the PPA.

All schemes within the JPS are defined benefit schemes.

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

## **Main Features of the Schemes**

Under the 1981 Act maximum benefits accrue over either 15 or 20 years. The qualifying conditions for pension benefits vary according to age and length of service requirements. The lump sum is twice the annual pension.

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 2015-16 earnings cap was £149,400 (2014-15: £145,800).

Both the 1981 and 1993 schemes are not registered schemes 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 after 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 accounts of the Ministry of Justice (MoJ).

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

The 1981 and 1993 schemes also provide death benefits on death in service and death in early retirement, as well as early payment of pension benefits in the event of retirement on the grounds of ill health. The level of benefits provided depends on the appropriate Act. There is also provision for leaving members who have completed 2 years' service to preserve their accrued JPS benefits for payment when they reach normal pension age in accordance with the scheme rules.

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

The age at which a pension in the JPS 2015 becomes payable is linked to a scheme member's State Pension Age (SPA).

The scheme does not provide an automatic lump sum. However, it is possible for members to commute part of their pension into a lump sum at the rate of £12 for every £1 of pension commuted, subject to HM Revenue and Customs limits.

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

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

### **Funding Sources**

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 Pension 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. Eligible judicial office holders automatically become members of a judicial pension scheme on appointment so it is not necessary to provide a separate workplace pension scheme.

### **Scheme Management**

Since 5 January 2015, administration of the pension awards and pension payrolls has been outsourced to Punter Southall Limited, now PS Administration Limited (PSAL), who administer judicial pensions on behalf of the Department.

Production of the accounts for the JPS is still carried out by the Department, drawing on management information from PSAL.

The Permanent Secretary, as the Accounting Officer for the Judicial Pension Scheme (JPS), has delegated responsibility for the administration of the JPS to the Director of Judicial Policy, Pay and Pensions. The Judicial Pay and Pension team were part of the Judicial Policy, Pay and Pensions Directorate within the Law and Access to Justice Group until 31 March 2016.

Since 1 April 2016 the Judicial Pay and Pensions Team has been part of MoJ Corporate Finance and responsibility for administration of the JPS was transferred from the Director of Judicial Policy, Pay and Pensions to the Director of Finance and Planning.

### **External Audit**

During 2015-16 the JPS was audited by the Comptroller and Auditor General. 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 he ought to have taken to make himself aware of any relevant audit information and to establish that the JPS's auditors are aware of that information.



## **The Judicial Pension Scheme Boards and Committees**

### **The Judicial Pension Scheme Board**

Until the Judicial Pension Regulations 2015 (JPR2015) established the Judicial Pensions Board (JPB), the Judicial Pension Scheme Board (the JPS Board) acted as the internal governance board. It then sat alongside the JPB until the 2014-15 accounts were completed. Its final meeting was held on 1 July 2015.

Since that date the responsibilities of the JPS Board for contract management, governance and risk management have been undertaken by the JPB.

### **The Judicial Pensions Board**

The purpose of the JPB is to assist the Lord Chancellor in his role of scheme manager in securing compliance with:

- the scheme regulations, and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it:
- the requirements in relation to the scheme and any connected scheme by the Pension Regulator.

The JPB is also responsible for assisting the Scheme Manager in the performance of his functions under the JPR2015.

### **The Judicial Pension Scheme Advisory Board**

The Judicial Pension Scheme Advisory Board (JPSAB) was also established under the JPR2015 and has the same membership as the JPB. The JPSAB sits at the request of the Lord Chancellor who has been appointed under the Judicial Pensions Regulations 2015 as the Scheme Manager. It is responsible for providing advice to the Lord Chancellor on the desirability of making changes to the scheme.

The Independent Chair for both the JPB and the JPSAB is Jill Youds. The first JPB meeting since the JPS 2015 became operational was held on 15 May 2015. The JPSAB met for the first time on 24 March 2015. The JPSAB will meet at the Lord Chancellor's request.

### **The Judicial Pension Scheme Finance Committee**

The review and approval of key financial activities such as main and supplementary estimates and the annual accounts is retained within the MoJ under the governance of the Judicial Pension Scheme Finance Committee (JPSFC). The first meeting of the JPSFC was on 5 November 2015.

The Committee was chaired by Abigail Plenty, Deputy Director, Judicial Policy, Pay and Pensions until 31 March 2016. From 1 April 2016 the Committee has been chaired by Caroline Patterson, Head of Financial Reporting & Control, Corporate Finance.

Details of the attendance records for these Board and Committees are included in the Governance Statement.

## **Key Developments in the year**

### **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 38.45% of pensionable pay for 2015-16 (2014-15: 32.15%).

In 2015-16 pension contributions for members were dependent upon the annualised rate of pensionable earnings and varied between 4.60% and 8.05%.

The contribution rates for members of the 1981 and 1993 schemes are adjusted take account of tax relief not being applicable. This contribution incorporates the Widow(er) Pension Scheme (WPS) contribution and the Personal Pension Contribution (PCC).

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

Serving members of the 1981 and 1993 schemes may increase their personal pension benefits and/or dependants' entitlements by making additional voluntary contributions to one of three AVC facilities within the JPS. These are Judicial Added Benefits Scheme, the Judicial Added Years Scheme and the Surviving Spouse's Pension Scheme. These three "in-house" AVC facilities were closed to new subscribers with effect from 6 April 2006.

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

The JPS also provides for members of all the schemes to make additional voluntary contributions to the Judicial Additional Voluntary Contribution Scheme (JAVCS). 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. 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.

Details of the JAVCS and the in-house AVC schemes can be found in note 8.1 of these accounts.

### **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 2015 was 1.2% (2014: 2.7%).

### **Contracting Out**

Members of the JPS were contracted out of the Additional State Pension (also known as the

Second State Pension (S2P) or State Earnings Related Pension Scheme (SERPs)). On 6 April 2016 contracting out was abolished in accordance with Schedule 13 of the Pensions Act 2014. From that date members of the scheme ceased to be contracted and both the members and the employer pay an increased rate of National Insurance contributions.

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

The provision for fee-paid pension entitlements set out in note 12a of these accounts represents 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 was remitted to the Employment Tribunal to determine remedy, the amount of the pension entitlement. The remedy issue continues to be a matter of dispute and is currently the subject of an application for leave to appeal at the Supreme Court. 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.

### **Discrimination litigation**

Litigation has been brought by members of the judiciary on the grounds that the application of transitional protection is discriminatory on grounds of age, race and gender. The litigation is on-going in the Employment Tribunal.

### **Discount Rate**

Since 2006 the discount rate for pensions has been reviewed annually, using market conditions. On 2 December 2015 in a Public Expenditure System paper (PES (2015) 08) Her Majesty's Treasury announced that the discount rate for pension liabilities would change from 1.3% in real terms to 1.37% in real terms with effect from 31 March 2016.

### **Membership Statistics**

#### **Salaried Members in the Pre-2015 Schemes**

<b>A. Active membership</b>	<b>2015-16</b>
Active members at 31 March 2015	2,196
New joiners	18
Leavers entitled to deferred pension	-579
Active members who retired	-162
Active members who died	-5
Active members at 31 March 2016	1,468

<b>B. Deferred membership</b>	2015-16
True deferred members at 31 March 2015	24
Active members who became true deferred	18
New deferred pension credit members	2
True deferred members who retired	-3
True deferred members who died	-1
True deferred members at 31 March 2016 (including Deferred Pension Credit members)	40
Salary linkage deferred members at 31 March 2015	0
Active members who became Salary Linkage Deferred	561
Salary linkage deferred members who died	-1
Salary Linkage Deferred members at 31 March 2016	560

### **C. Pensioner membership**

Pensioner members at 31 March 2015	2,066
New retirements	168
New spouse and children's pensions	52
Contingent Pension ceased	-4
Members who took trivial commutation	-1
Pensioner members who died	-89
Pensioner members at 31 March 2016	2,192
Total membership at 31 March 2015	4,286
Total membership at 31 March 2016	4,260

## **Salaried & Fee-Paid Members in JPS 2015**

<b>A. Active Membership</b>	2015-16
Active members at 31 March 2015	0
New joiners in period (including transfers from the JUPRA scheme)	2,816
Leavers entitled to deferred pension	0
Leavers entitled to a refund of contributions	-1
Leavers opting out - no liability	-16
Active members who retired	-2
Active members who died	-1
Active members at 31 March 2016	2,796

<b>B. Deferred Membership</b>	2015-16
Deferred members at 31 March 2015	0
Add: Members leaving who have deferred pension rights	0
Less: Deferred member returning to scheme	0
Less: Deferred pension coming into payment	0
Deferred members at 31 March 2016	0

### C. Pensioner membership

Pensioner members at 31 March 2015	0
New retirements	2
New spouse and children's pensions	0
Contingent Pension ceased	0
Members who took trivial commutation	0
Pensioner members who died	0
Pensioner members at 31 March 2016	2
Total membership at 31 March 2015	0
Total membership at 31 March 2016	2,798

### Financial position

At 31 March 2016 the JPS had net liabilities, including the pension liability, of £3,657m (31 March 2015 - £3,610m). This is attributed to the pension liability of £3,082m (31 March 2015 - £3,122m) as detailed in note 12c to the accounts and the provision for fee-paid judges pension entitlements (note 12a). The provision has increased by £88m to £578m (31 March 2015 - £490m) mainly due to the availability of more accurate information in respect of the number of pensionable days service for the fee-paid judges. The Supplementary Estimate had included an additional £100m for the fee-paid judges' provision giving a favourable variance of £12m 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.

Interest costs of £111m show a reduction from the prior year (2014-15: £128m). The interest cost is calculated by applying the gross discount rate to the liability. The gross discount rate has reduced from 4.35% at 31 March 2014 to 3.55% at 31 March 2015 resulting in the decrease in interest costs. It is broadly in line with the Supplementary Estimate of £113.4m.

The current service cost is primarily driven by applying the cost of pension earned by active members over the year to the annual payroll figure. CSC has increased very slightly from £149m in 2014-15 to £150m in 2015-16. This was below the supplementary estimate figure of £160.1m, partly because of the more prudent approach adopted for the estimates. The 2014-15 CSC was calculated using the net discount rate of 1.8% at 31 March 2014 while the 2015-16 CSC is calculated using the net discount rate of 1.3% at 31 March 2015. Since the rate has decreased, the cost of service accruing over the next year, as a percentage of pay, should increase. The admission of fee-paid judges to the 2015 scheme has also increased the CSC. However these increases are partially offset by a forecast reduction in future salary increases and the fact that some judges have moved from the 1993 scheme into the less expensive 2015 scheme.

Overall the Scheme has an actuarial gain of £180m for 2015-16. This includes £95m in respect of changes in the assumptions of future mortality rates, £53m from the increase in net discount rates and additional years of pay restraint, and £32m attributed to the April 2016 pension increase being 0% rather than 2.2% as previously assumed.

## Accounting Officer Confirmation

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

## Information for Members

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

### JPS Board (until 1/7/15)

Chair	- Steve Gillespie
Director of Judicial Policy, Pay and Pensions (JP&P)	- Nick Goodwin
Deputy Director JP&P	- Rod Mclean (until 28/5/15)
Corporate Finance	- Audrey Fullerton
Head of JPS Policy	- Shirley Hales
Contract Manager & Head of JP&P	- David Collins
MoJ Estimates Manager	- David Eddleston
Internal Audit	- Cheyne Mitchell
JPS Accountant	- Adrian Matthews
Board Secretary	- Jane Storrar

### Judicial Pension Board

Independent Chair	- Jill Youds
Independent Member	- Susan Andrews
Independent Member	- Ellen Kelleher
Judicial Member	- His Honour Judge David Cooke
Judicial Member	- The Honourable Mr Justice Nicholas Green
Judicial Member	- Employment Judge Elizabeth Heap
Judicial Member	- His Honour Judge Geoffrey Miller QC
Employer Representative	- Jason Latham, Deputy Director, Tribunals, HM Courts and Tribunals Service
Employer Representative	- Jan Marshall, Deputy Director, Civil Law and Legal Division, Scottish Government
Employer Representative	- Abigail Plenty Deputy Director, Judicial Policy, Pay and Pensions (from 1/10/15 until 31/3/16)
Employer Representative	- Caroline Patterson, Deputy Director, Corporate Finance, MoJ (from 1/4/16)
Employer Representative	- Sarah Wallace, Deputy Director, Finance HM Courts and Tribunal Service (HMCTS) - from 1/1/16
Employer Representative	- Steve Gillespie, Finance Director HMCTS (until 31/8/15)
Employer Representative	- Rod Mclean, Deputy Director, J P & P (until 28/5/15)
Head of JP&P	- David Collins

Board Secretary - Matthew Crowther

**Judicial Pension Scheme Finance Committee (from 5/11/15)**

Chair	- Abigail Plenty (until 31/3/16)
Chair	- Caroline Patterson (from 1/4/16)
Corporate Finance	- Audrey Fullerton
Head of JPS Policy	- Shirley Hales (until 31/3/16)
Contract Manager & Head of JP&P	- David Collins
HMCTS Finance	- Sarah Wallace
MoJ Estimates Manager	- David Eddleston
Scheme Accountant	- Adrian Matthews
Adviser to the Committee	- Cheyne Mitchell
Adviser to the Committee	- Duncan Short
Secretary to the Committee	- Jane Storrar

**Managers**

*JPS Accounting Officer:*

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

*Scheme Contract Manager and Head of Judicial Pay & Pensions:*

David Collins, Judicial Policy, Pay and Pensions, Ministry of Justice, 102 Petty France, London SW1H 9AJ.

*Pension Administrators:*

PS Administration Limited, 11 Strand, London WC2N 5HR.

**Advisers**

*Scheme Actuary:*

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

*Bankers:*

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

*Providers of external Additional Voluntary Contributions:*

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

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

## **Auditors**

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

## **Appointing or Administering Bodies**

As at 31 March 2016 the following bodies participated in the JPS:

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

## **Further Information**

Any enquiries about the JPS should be addressed to:

Judicial Pensions Scheme,  
Judicial Pay and Pensions  
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)

Richard Heaton  
Accounting Officer

Date: 8 July 2016



## REPORT OF THE ACTUARY

### Introduction

This statement has been prepared by the Government Actuary's Department at the request of the Department. It summarises the pensions disclosures required for the 2015-16 Resource Accounts of the Judicial Pension Schemes ('the JPS' or 'the schemes').

The JPS is a defined benefit pension scheme, the rules of which are set out in the Judicial Pensions Act 1981 (the 1981 Scheme), the Judicial Pensions and Retirement Act 1993 (the 1993 Scheme), the Judicial Pensions Regulations 2015 (NJPS 2015) 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 2016 to reflect known changes.

### Membership data

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

**Table A – Active members**

Number	31 March 2012 membership data		2015-16 accounts
	Total salaries (per annum) (£ million)	Total accrued pensions (£ million)	Total salaries (£ million)
2,227	266.2	63.8	284

**Table B – Deferred members**

31 March 2012 membership data	
Number	Total deferred pension (pa) (£ million)
36	0.5

**Table C – Pensions in payment**

Number	31 March 2012 membership data	2015-16 accounts
	Total pension (pa) (£ million)	Total pension (pa) (£ million)
1,737	77.3	104.5

## Methodology

The present value of the liabilities has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the principal financial assumptions applying as at 31 March 2016. The contribution rate for accruing costs in the year ended 31 March 2016 was determined using the PUCM and the principal financial assumptions applying as at 31 March 2015.

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

### Principal financial assumptions

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

**Table D – Principal financial assumptions**

<b>Assumption</b>	<b>31 March 2016</b>	<b>31 March 2015</b>
Rate of return (discount rate)	3.60%	3.55%
Rate of earnings increases*	4.20%	4.20%
Rate of future pension increases	2.20%	2.20%
Rate of return in excess of:		
Pension increases (CPI)	1.37%	1.30%
Earnings increases	-0.60%	-0.65%
Expected return on assets:	n/a	n/a

\* short-term adjustments have been made to this assumption for the period to 2020

The pension increase assumption up to and including 31 March 2016 are based on the Consumer Price Index (CPI) expectation of inflation.

### Demographic assumptions

The demographic assumptions adopted to prepare this statement were derived from the specific experience of the scheme membership.

The standard mortality tables known as S1NXA (for normal health pensioners and dependants) and S1IXA (for ill-health pensioners) are used but with mortality rates reduced to 80% of actual rates. These assumptions are the same as those adopted for the 2014-15 Annual Accounts. Mortality improvements are in accordance with those incorporated in the 2014-based principal population projections for the United Kingdom. This assumption has been updated in line with the latest ONS projections. The 2014-15 Annual Accounts were based on the 2012-based projections.

The contribution rate used to determine the accruing cost in 2015-16 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2014-15 Resource Accounts.

## Liabilities

Table E summarises the assessed value as at 31 March 2016 of benefits accrued under the scheme prior to 31 March 2016 based on the data, methodology and assumptions described in paragraphs 5 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 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
<b>Total market value of assets</b>	Nil	Nil	Nil	Nil	Nil
<b>Value of liabilities</b>	3,082	3,122	2,923	2,497	2,192
<b>Surplus/(Deficit)</b>	(3,082)	(3,122)	(2,923)	(2,497)	(2,192)
<b>of which recoverable by employers</b>	n/a	n/a	n/a	n/a	n/a

## Accruing costs

The cost of benefits accrued in the year ended 31 March 2016 (the Current Service Cost) is based on an average standard contribution rate of 53%. Table F shows the standard contribution rates used to determine the Current Service Cost for 2015-16. For 2014-15 the Current Service cost was based on a standard contribution rate of 56.1%.

**Table F – Contribution rate**

	Service cost
	(%)
Pre-2015 Schemes	57.8
NJPS salary-paid	43.2
NJPS fee-paid	40.6

For the avoidance of doubt, the actual rate of contributions payable by employers is not the same as the employers' share of the standard contribution rate as above. This is because the actual employer contribution rate was determined as part of a funding valuation using different assumptions. The key difference between the assumptions used for funding valuations and Resource Accounts is the discount rate. The discount rate for Resource

Accounts is set each year by HM Treasury to reflect the requirements of the accounting standard IAS19.

The pensionable payroll for the financial year 2015-16 was £284 million. Based on this information, the accruing cost of pensions in 2015-16 is assessed to be £150 million.

There were no material past service costs during 2015-16.

**Government Actuary's Department**

**23 May 2016**

## **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**

As the Permanent Secretary of the MoJ, I am the Accounting Officer for the Judicial Pensions Scheme (JPS). I have been in post since 29 August 2015 and therefore this is my first Annual Governance Statement as the Accounting Officer (AO) for the JPS.

It is my responsibility to ensure that the JPS has effective governance arrangements. I am satisfied that the necessary systems and processes are in place to enable an effective system of internal control. I am also satisfied that this system supports the achievement of policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with HM Treasury "Managing Public Money".

The MoJ, as lead department for judicial pensions within the United Kingdom, 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 (ASLC), 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 Funds and Accounts (EFA) Team of HM Treasury.

As Accounting Officer of the MoJ, I work with Ministers and senior MoJ Management through the Departmental Board to implement the MoJ's plans, allocate resources and delegate financial authority to senior staff.

I delegated 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 under the authority of the Director General of the Justice and Courts Policy Group.

Since 1 April 2016 the JP&P team have been part of MoJ Corporate Finance and responsibility for the administrative and operational activities of the JPS have been delegated to the Director of Finance and Planning.

### **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 and in line with the rules of the scheme. Overall the governance is intended to ensure agreed policies and processes comply with requirements. The governance arrangements are designed to provide reasonable and not absolute assurance of effectiveness. It draws on an ongoing process designed to:-

- Identify and prioritise the risks to the achievement of JPS policies, aims and objectives,
- Evaluate the likelihood of those risks being realised and the impact should they be realised, and

- Manage them efficiently, effectively and economically.

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

The governance arrangements were in place for the JPS throughout the year ended 31 March 2016 and continued to the date of approval of the annual accounts in accordance with HM Treasury guidance.

## **Governance Framework**

On 1 April 2015 the Judicial Pensions Regulations 2015 (JPR15) came into effect. The Lord Chancellor has been appointed as the “Responsible Authority” for the schemes, and as such, may make scheme regulations. In addition to this, the Lord Chancellor has also been appointed as the Scheme Manager, and is responsible for the management and administration of the scheme. The Lord Chancellor delegated this responsibility to the Director of Judicial Policy, Pay and Pensions until 31 March 2016. In addition as Accounting Officer for the JPS I delegated my responsibility for the administrative and operational activities of the JPS to the Director of Judicial Policy, Pay and Pensions until 31 March 2016.

The Director of Judicial Policy, Pay and Pensions was supported in this role by the Head of Judicial Pay and Pensions.

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

- Judicial Pension Scheme Board (Until 1 July 2015)
- Judicial Pension Board (JPB)
- Judicial Pension Scheme Finance Committee (JPSFC)
- Judicial Pension Scheme Advisory Board (JPSAB)

Each of these are described below.

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

- The Departmental Board
- The Executive Committee (ExCo)
- MoJ Audit and Risk Committee
- Internal Audit & Assurance

## **Judicial Pension Scheme Board (JPSB)**

The JPSB was responsible for the governance until the JPS Accounts for the year ending 31 March 2015 were laid before Parliament.

## **Judicial Pension Board (JPB)**

The JPB was established under the JPR15. The purpose of the JPB is to assist the Scheme Manager in securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme, including the requirements of the Pensions Regulator.

Membership of the JPB includes the Independent Chair, two independent non-voting board members, four employer representatives from the MoJ, the Scottish Government and four judicial representatives.

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

The JPB has oversight of a range of areas including:

- Assurance and governance of the administration of the JPS;
- Performance of the third party scheme administrator (PS Administration Limited);
- Effectiveness and value for money of the administration of the JPS;
- Internal control procedures; contributing to the planning of risk management and audit programmes;
- Consideration of the Pension Regulator's annual report and responses to its recommendations;
- Communications to members;
- Considering appeals, complaints and providing the Scheme Manager with recommendations under the Internal Disputes Resolution Procedure;
- Providing recommendations to the Scheme Manager in respect of the exercising of any discretionary decisions under the JPR15.

The JPB sits quarterly and a minimum of five members, including two members from the employer and scheme membership are required for the meeting to be quorate. Attendance at the meetings is shown below.

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

The performance of JPB members is evaluated on a periodic basis to ensure that all members are adequately meeting their duties. This is undertaken by the Independent Chair.

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

## **The Judicial Pension Scheme Finance Committee (JPSFC)**

The JPSFC was established in November 2015 and is responsible for the financial



governance of the JPS. The Committee was chaired by the Deputy Director of Judicial Pay and Pensions until 31 March 2016. The Deputy Director of Financial Reporting and Control became the Chair from 1 April 2016. The Committee is supported by two advisors and six members from the MoJ.

The role and responsibilities of the Committee includes providing:

- Assurance to the Scheme Manager and the Permanent Secretary and Accounting Officer by providing oversight of the financial functions and internal controls of the JPS and approval of this Governance Statement;
- A formal review and approval forum for key financial activities including the Scheme Estimate and oversight of the budget for scheme administration;
- Oversight of the financial impact and latest position of the Fee-Paid litigation upon the Scheme Accounts and Estimates;
- Advice and guidance to the JPB as required.
- Managing risk by using the Risk Register to challenge the reported impact likelihood of each risk and the controls to mitigate these risks.
- Annual review of the Terms of Reference in line with good practice and monitoring and manging action points from prior meetings.
- Escalation of significant issues to the MoJ Departmental Board and the Executive Committee of the Board.

The Chair and one other Committee Members also sit on the JPB, providing a direct link between the Board and the Committee.

### **The Judicial Pension Scheme Advisory Board (JPSAB)**

The JPSAB was established under the JPR 2015. This Board's role is to advise the Lord Chancellor on the desirability of making changes to the scheme. It meets at the request of the Lord Chancellor. The JPSAB met in February and March 2015 to agree its Terms of Reference. Further meetings were not required during 2015-16.

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

A full list of the current JPB and JPSFC members and advisors is included in the Report of the Managers on page 2.

## JPB and JPSFC Meetings

The table below shows the attendance at each meeting from 1 April 2015 to 31 March 2016.

Members	JPSB	JPB	JPSAB	JPSFC
Steve Gillespie, Chair JPSB & also member of JPB until August 2015	2 of 2	2 of 2	-	-
Nick Goodwin, Director, Judicial Pay & Pensions	0 of 2	-	-	-
Audrey Fullerton, Corporate Finance	2 of 2	-	-	3 of 3
Shirley Hales, Judicial Pay & Pensions (retired March 2016)	2 of 2	-	-	2 of 3
Cheyne Mitchell, Internal Audit	2 of 2	-	-	-
David Collins, Head of JP&P	2 of 2	4 of 4	-	3 of 3
David Eddleston, MoJ Estimates Manager	2 of 2	-	-	3 of 3
Adrian Matthews, Scheme Accountant	2 of 2	-	-	3 of 3
Jill Youds, Independent Chair JPB	-	4 of 4	-	-
Susan Andrews, Independent Member	-	4 of 4	-	-
Ellen Kelleher, Independent Member	-	4 of 4	-	-
His Honour Judge David Cooke, Judicial Member	-	4 of 4	-	-
The Honourable Mr Justice Nicholas Green, Judicial Member	-	2 of 4	-	-
Employment Judge Elizabeth Heap, Judicial Member	-	1 of 4	-	-
His Honour Judge Geoffrey Miller QC, Judicial Member	-	4 of 4	-	-
Jason Latham, Employer Member	-	2 of 4	-	-
Jan Marshall, Employer Member	-	4 of 4	-	-
Abigail Plenty, Chair JPSFC until 31 March 2016 & also member of JPB from October 2015	-	2 of 2	-	3 of 3
Caroline Patterson, Chair JPSFC from 1 April 2016 & member of JPB from April 2016	-	-	-	1 of 1
Sarah Wallace, Employer Member & member of JPB from January 2016	-	1 of 1	-	1 of 2
Rod Mclean, Employer Member until May 2015		1 of 1		

## **Pension and payroll administration**

PS Administration Limited (PSAL) are Scheme Administrators for the JPS, administering both pension payments and payrolls, and processing receipts. PSAL operate appropriately audited governance and internal control arrangements.

The JP&P team manage and monitor the performance of PSAL under the contract. PSAL provide assurance to JPS to support its governance and control arrangements-

## **Risk Assessment and Management**

The Department's Risk Management Strategy, Policy and Framework document, approved and endorsed by ExCo was initially published in June 2015. The document is published 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. In June 2015 the MoJ published a Risk Management Core Policy together with a Risk Management Guide.

Risks that threaten the JPS's objectives are identified and analysed in terms of impact, materiality and likelihood, assigned to individual owners, monitored and reported at JPSFC.

## **Significant Compliance Issues**

During 2015-16, there were no ministerial directions given and no lapses of data security.

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

Internal Audit work in 2015-16 generally found things to be adequately controlled. Coverage included the Judicial Pensions, the Payroll Transfer and the fee-paid Judges Arrangements. Both reports were rated Moderate. The pension and payroll transfer had been effectively managed and adequately controlled. For fee-paid judges' arrangements where issues were identified, these were not considered to be material although testing did indicate some variation in processing arrangements.

## **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 Director, Deputy Director and administrators of the JPS, who have responsibility for the development and maintenance of the governance framework. In addition, recommendations made by both external and internal auditors are taken into consideration.

## **Conclusion**

I am satisfied that the governance, risk management and assurance arrangements in place are fit for purpose in supporting JPS.

This statement applies to the JPS. The Governance Statement for the Ministry of Justice as

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a whole will be available as part of the Department's Annual Report and Accounts for 2015-16 which are published on the MoJ's website.

Richard Heaton  
Accounting Officer

Dated: 8 July 2016

## PARLIAMENTARY ACCOUNTABILITY

### Statement of Parliamentary Supply (Audited) Summary of Resource and Capital Outturn 2015-16

Note	2015-16 Estimate			2015-16 Outturn			2015-16	2014-15
	Voted £'000	Non-Voted £'000	TOTAL £'000	Voted £'000	Non-Voted £'000	TOTAL £'000	Voted outturn compared with Estimate: saving/ (excess) £'000	TOTAL £'000
Departmental Expenditure Limit								
- Resource	-	-	-	-	-	-	-	-
- Capital	-	-	-	-	-	-	-	-
Annually Managed Expenditure								
SoPS 1	<b>169,800</b>	89,656	259,456	<b>134,969</b>	90,000	224,969	<b>34,831</b>	151,175
- Resource								
- Capital	-	-	-	-	-	-	-	-
Total Budget	<b>169,800</b>	89,656	259,456	<b>134,969</b>	90,000	224,969	<b>34,831</b>	151,175
Non-Budget								
- Resource								
<b>Total</b>	<b>169,800</b>	89,656	259,456	<b>134,969</b>	90,000	224,969	<b>34,831</b>	<b>151,175</b>
Total Resource	<b>169,800</b>	89,656	259,456	<b>134,969</b>	90,000	224,969	<b>34,831</b>	151,175
Total Capital	-	-	-	-	-	-	-	-
<b>Total</b>	<b>169,800</b>	<b>89,656</b>	<b>259,456</b>	<b>134,969</b>	<b>90,000</b>	<b>224,969</b>	<b>34,831</b>	<b>151,175</b>

### Net cash requirement 2015-16

Note	2015-16 Estimate £'000	2015-16 Outturn £'000	2015-16 Outturn compared with Estimate: saving/ (excess) £'000	2014-15 Outturn £'000
Net cash requirement	<b>(50,639)</b>	<b>(69,982)</b>	<b>19,343</b>	<b>(48,091)</b>

### Administration costs 2015-16

Note	2015-16 Estimate £'000	2015-16 Outturn £'000	2014-15 Outturn £'000
Administration costs	-	-	-

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

The notes on pages 26 to 27 form part of these accounts.

**Notes to the Statement of Parliamentary Supply for the year ended 31 March 2016  
(Audited)**

**SoPS 1 Net outturn**

2015-16											2014-15 Outturn
Outturn							Estimate			Total	
Administration			Programme				Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements		
Gross	Income	Net	Gross	Income	Net	Total				£'000	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Judicial Pension Scheme - Annually Managed Expenditure:											
Voted	-	-	-	259,571	(124,602)	134,969	134,969	169,800	34,831	34,831	61,775
Non-voted	-	-	-	90,000		90,000	90,000	89,656	(344)	(344)	89,400
<b>Total</b>	-	-	-	<b>349,571</b>	<b>(124,602)</b>	<b>224,969</b>	<b>224,969</b>	<b>259,456</b>	<b>34,487</b>	<b>34,487</b>	<b>151,175</b>

The non-voted expenditure is for the current service costs of higher judiciary judges paid from the Consolidated Fund.

The outturn is slightly less than the Estimate mainly because the provision for the fee-paid judges' retrospective pension entitlements has increased by £88m while the Estimate included a further provision of £100m for an additional year's liability.

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

	2015-16	2015-16	2015-16	2014-15
	Estimate	Outturn	Net Total Outturn compared with estimate: saving/ (excess)	
Note	£'000	£'000	£'000	£'000
Resource outturn	259,456	224,969	34,487	151,175
Accruals adjustments				
Non-cash items – Current Service and Interest costs	(273,500)	(261,000)	(12,500)	(277,000)
Non-cash items – Contributions receivable directly by the Consolidated Fund	-	(256)	256	47
Non cash items – Income attributable to Judiciary at the Corporation of London	-	144	(144)	115
Changes in working capital other than cash				
Increase/(decrease) in receivables	-	2,516	(2,516)	14
(Increase)/decrease in payables	-	(1,292)	1,292	(2,256)
Transfers in	-	(1,651)	1,651	
Movements in provisions				
Fee-paid judges provision	12(a) (100,000)	(87,853)	(12,147)	28,070
Use of pension provision	63,405	54,441	8,964	51,744
<b>Net cash requirement</b>	<b>(50,639)</b>	<b>(69,982)</b>	<b>19,343</b>	<b>(48,091)</b>

## SoPS 3. Analysis of Income payable to the Consolidated Fund

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

	2015-16 Outturn		2014-15 Outturn	
	Income £'000	<i>Receipts</i> £'000	Income £'000	<i>Receipts</i> £'000
Excess cash receipts surrenderable to the Consolidated Fund	69,982	<i>69,982</i>	48,091	<i>48,091</i>
<b>Total income payable to the Consolidated Fund</b>	<b>69,982</b>	<b><i>69,982</i></b>	<b>48,091</b>	<b><i>48,091</i></b>

Richard Heaton  
Accounting Officer

Dated: 8 July 2016

## **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 2016 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. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes.

### **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, the Report of the Actuary, and the Governance Statement 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 2016 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 2016 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.

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**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: 11 July 2016**

## FINANCIAL STATEMENTS

### Statement of Comprehensive Net Expenditure for the Year Ended 31 March 2016

		2015-16		2014-15	
	Note	£'000	£'000	£'000	£'000
<b>Income</b>					
Contributions receivable	3	(123,884)		(97,555)	
Other pension income	4	(718)		(665)	
Transfers in		<u>(1,651)</u>		<u>-</u>	
			(126,253)		(98,220)
<b>Expenditure</b>					
Service cost	5	150,000		149,000	
Pension financing cost	6	111,000		128,000	
Fee-paid judges provision	12a	87,853		(28,070)	
Transfers in		1,651		-	
Administration expenses	7	<u>718</u>		<u>465</u>	
			351,222		249,395
<b>Net Expenditure</b>			<u><b>224,969</b></u>		<u><b>151,175</b></u>
<b>Other Comprehensive Net Expenditure</b>					
Recognised gains and losses for the financial year:					
Other re-measurement	12g		(180,000)		39,000
<b>Total Comprehensive Net Expenditure for the year ended 31 March 2016</b>			<u><b>44,969</b></u>		<u><b>190,175</b></u>

The notes on pages 35 to 50 form part of these accounts

**Statement of Financial Position  
as at 31 March 2016**

		31 March 2016		31 March 2015	
Note	£'000	£'000	£'000	£'000	
<b>Current Assets:</b>					
Receivables	9	10,372		7,854	
Cash and cash equivalents	10	<u>19,030</u>		<u>13,012</u>	
<b>Total current assets</b>			29,402		20,866
<b>Current Liabilities:</b>					
Payables (within 12 months)	11	<u>(25,673)</u>		<u>(18,361)</u>	
<b>Total current liabilities</b>			<u>(25,673)</u>		<u>(18,361)</u>
<b>Net current assets, excluding pension liability</b>			3,729		2,505
Pension liability	12e		(3,082,144)		(3,122,305)
Provisions	12a		(578,234)		(490,381)
<b>Net liabilities, including pension liability</b>			<u><u>(3,656,649)</u></u>		<u><u>(3,610,181)</u></u>
<b>Taxpayers' equity:</b>					
General fund			(3,656,649)		(3,610,181)
			<u><u>(3,656,649)</u></u>		<u><u>(3,610,181)</u></u>

Richard Heaton  
Accounting Officer

Date: 8 July 2016

The notes on pages 35 to 50 form part of these accounts

## Statement of Changes in Taxpayers Equity for the Year Ended 31 March 2016

		2015-16	2014-15
	Note	£'000	£'000
<b>Balance at 1 April</b>		(3,610,181)	(3,436,040)
Consolidated Fund Standing Services:			
Pension payable by the Consolidated Fund		68,371	64,244
Ex-gratia payments due from the MoJ		-	43
Contributions payable/(receivable) directly by the Consolidated Fund		256	(47)
Income attributable to the Judiciary at the Corporation of London		(144)	(115)
CFERs payable to the Consolidated Fund		(69,982)	(48,091)
Prior year CFER payable			-
Comprehensive Net Expenditure for the year		(224,969)	(151,175)
Other re-measurement - gain/(loss)	12(g)	180,000	(39,000)
<b>Balance at 31 March</b>		<b>(3,656,649)</b>	<b>(3,610,181)</b>

The notes on pages 35 to 50 form part of these accounts

## Statement of Cash Flows for the Year Ended 31 March 2016

	Note	2015-16 £'000	2014-15 £'000
<b>Cash flows from operating activities:</b>			
Net expenditure for the year	SoPS 1	(224,969)	(151,175)
Adjustments for non-cash transactions:			
Contributions payable/(receivable) by the Consolidated Fund		256	(47)
Income attributable to Judiciary at the Corporation of London		(144)	(115)
Movement in fee-paid judges provision	12a	87,853	(28,070)
Adjustment in respect of working capital		(1,224)	2,242
Increase in pension provision	5 & 6	261,000	277,000
Use of provisions		(54,441)	(51,744)
Transfers in		1,651	-
<b>Net increase in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund</b>		<b>69,982</b>	<b>48,091</b>
Payment of amounts due to the Consolidated Fund – current year		(50,952)	(38,566)
Payment of amounts due to the Consolidated Fund – prior year		(13,012)	(8,102)
<b>Net decrease in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund</b>		<b>6,018</b>	<b>1,423</b>
<b>Cash and cash equivalents at the beginning of the year</b>	10	13,012	11,589
<b>Cash and cash equivalents at the end of the year</b>	10	<b>19,030</b>	<b>13,012</b>

The notes on pages 35 to 50 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 2015-16 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 Pension Scheme consists of a final salary and a career average scheme which were contracted out until 6 April 2016. They are unfunded pay-as-you-go occupational pension schemes. It has been administered by an external service provider, PS Administration Limited (PSAL), formerly Punter Southall Limited, since 4 January 2015. It is open to members of the Judiciary who satisfy the membership criteria.

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

The financial statements 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 2016 shows a pension liability of £3,082m and a provision of £578m for fee-paid judges (2014-15: £3,122m with a provision of £490m for fee-paid judges). 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 2016-17 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.

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

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 38.45% Accruing Superannuation Liability Charges (ASLCs) received from Appointing Bodies is a 0.25% administration fee recognised as other pension income in these accounts.



### **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 3.55% (2014-15 4.35%) 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 2015-16 is 1.37% per annum real (2014-15: 1.3%). The valuation takes account of the overnight change in the Scheme's liabilities as a result of the change in the discount rate to 1.37% real as at 31 March 2016. Such changes are recognised in the Statement of Comprehensive Net Expenditure for the year as advised by HM Treasury.

In the past full actuarial valuations by a professionally qualified actuary have been obtained at intervals not exceeding four years with interim valuations every two years. The last full valuation was carried out as at 31 March 2012.

### **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, some of which are now subject to an application for leave to appeal to the Supreme Court. 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**

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

#### **2.1.10 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**

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

Since 5 January 2015 scheme administration has been carried out by PS Administration Limited (PSAL), an external service provider. The costs of PSAL are paid by the MoJ.

The JPS is authorised by HM Treasury to pay the MoJ 0.25% of the 38.45% Accrued Superannuation Liability Charges (ASLC) received. In 2015-16 this amounts to £718k (2014-15: £465k). The payments have been reported in MoJ's accounts.

## 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.

## 3. Pension contributions receivable

	2015-16 £'000	2014-15 £'000
Employers; appointing bodies:		
Accruing Superannuation Liability Charges (ASLCs)	109,761	84,899
Employees; Judicial Office-holders:		
Normal contributions: Pension Contributions	13,945	12,487
Purchase of Added Years: internal JPS AVC's only	178	169
	<b>123,884</b>	<b>97,555</b>

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

Contributions payable to the JPS in 2016-17 are expected to be £128m.

## 4. Other pension income

	2015-16 £'000	2014-15 £'000
Administration fees receivable from appointing bodies	718	665
	<b>718</b>	<b>665</b>

## 5. Service Cost

	2015-16 £'000	2014-15 £'000
Current service cost: (see note 12e)		
Judiciary paid from the JPS Estimate and pension increases for all Judiciary	60,000	59,600
Judiciary paid from the Consolidated Fund (notional expenditure)	90,000	89,400
	<b>150,000</b>	<b>149,000</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 2015-16 pension cost has been allocated at 40% Vote and 60% non-Vote (2014-15: 40% Vote and 60% non-Vote).

## 6. Pension financing cost

	2015-16 £'000	2014-15 £'000
Net interest on defined pension liability (see note 12e)	111,000	128,000
	<b>111,000</b>	<b>128,000</b>

## 7. Administration Expenses

	2015-16 £'000	2014-15 £'000
Administration expenses paid to the MoJ	718	465
	<b>718</b>	<b>465</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. The Judicial Added Voluntary Contributions Scheme (JAVCS) is available to members of the JUPRA schemes and the JPS 2015. 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	
	2015-16 £'000	2014-15 £'000	2015-16 £'000	2014-15 £'000
<b>Movements in the year</b>				
Balance at 1 March / 1 April	303	460	3,123	2,636
New investments	10	16	437	457
Sales of investments to provide pension benefits	-	(199)	(154)	(274)
Changes in market value of investments	(6)	26	3	304
<b>Balance at 28 February / 31 March</b>	<b>307</b>	<b>303</b>	<b>3,409</b>	<b>3,123</b>
Contributions received to provide life cover	-	-	-	1

Note that the figures for Equitable Life cover the period 1 March 2015 to 28 February 2016 while the Prudential figures are for the period 1 April 2015 to 31 March 2016. 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.

### Additional Voluntary Contributions - JPS 2015

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

- Added Pension Option. Under this arrangement members may pay additional contributions or lump sums to purchase added pension. The total amount of Added Pension that a member can purchase is subject to the limits set by HM Treasury.
- Effective Pension Age Option. Members may make periodical payments throughout their service to attain a pension age of any of up to three years below the member’s normal pension age, provided that it would achieve an “effective pension age” of at least 65.

### The Pension Partnership Account

This is a tax-registered stakeholder pension scheme for members of JPS 2015. Members can opt to join this scheme instead of joining the JPS 2015. The Pension Partnership Account (PPA) is administered by Prudential. During 2015-16 contributions of £18,499.64p were paid to Prudential by members of the scheme.

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

### 9 (a) Analysis by type

Amounts falling due within one year

	2015-16 £'000	2014-15 £'000
Pension contributions due from appointing bodies:		
Accruing Superannuation Liability Charges (ASLCs), including administration fees	8,921	6,763
Pension contributions due from Judicial Office-holders:		
Normal contributions -Personal Pension Contributions (PPCs)	1,234	1,022
Purchase of Added Years: internal JPS AVC's only	23	8
Other debtors	149	18
Ex-gratia payments due from MoJ	45	43
	<b>10,372</b>	<b>7,854</b>

## 10. Cash and cash equivalents

	2015-16 £'000	2014-15 £'000
Balances as at 1 April	13,012	11,589
Net change in cash balances	6,018	1,423
<b>Balance at 31 March</b>	<b>19,030</b>	<b>13,012</b>

The following balances at 31 March were held at:

Government Banking Service	19,030	13,012
<b>Balance at 31 March</b>	<b>19,030</b>	<b>13,012</b>

## 11. Payables – in respect of pensions

### 11 (a) Analysis by type

	2015-16	2014-15
	£'000	£'000
<b>Amounts falling due within one year</b>		
Death in service and early retirement payments	831	496
Other lump sums due	1,538	157
Tax due to HM Revenue and Customs	3,441	4,656
Contributions received in advance	741	6
Administration charges due to Ministry of Justice	92	34
Total payables excluding CF creditor	<u>6,643</u>	<u>5,349</u>
Extra receipts due to the Consolidated Fund	19,030	13,012
	<u><b>25,673</b></u>	<u><b>18,361</b></u>

## 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 confirmed by the Court of Appeal (9 November 2015). 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 of an application for leave to appeal to the Supreme Court and the outcome of that application is expected by June 2016.

In January 2014 the Employment Tribunal ruled in the Miller case on two time-point issues in favour of the MoJ. One time-point issue – there are no generic grounds for the exercise of discretion to extend time - has been upheld by the Employment Appeal Tribunal. The second issue – the operation of the 3 month time limit – was upheld by the Court of Appeal (9 November 2015) and has been joined with Mr O'Brien's application for leave to appeal to the Supreme Court (see above).

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. Because JPS will not have the authority to make payments to fee-paid judicial officials until the new Fee-Paid Judicial Pension Scheme commences, the MoJ has begun the process to settle part of the claims included in these provisions whereby the MoJ will be making payments to fee-paid judicial officials that retire before the new Fee-Paid Judicial Pension scheme commences. In light of this, JPS have transferred a portion of the pension entitlement provision to the MoJ (£6,766k) and reduced

the provision for those payments already made by the MoJ in 2014-15 (£8,243k).

As a result of an increase in the number of days fee-paid judges are expected to have worked the provision has been increased from £490,381k in 2014-15 to £578,234k in 2015-16.

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 the MoJ and accordingly the separate element has been recorded in the MoJ accounts.

	2015-16 £'000	2014-15 £'000
Balances at 1 April	490,381	518,451
Provided in the year – fee-paid judges pension liability	87,853	-
Released in the year – fee-paid judges pension liability	-	(28,070)
Use of provisions	-	-
<b>Balance at 31 March</b>	<b>578,234</b>	<b>490,381</b>

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

The Judicial Pension Scheme is an unfunded defined benefit scheme. The Government Actuary's Department undertook a full actuarial valuation as at 31 March 2012. Full membership data has been supplied to GAD as at 31 March 2012, and this data, along with additional data supplied by the Department, has been used to form the basis of this assessment. The Report of the Actuary, on pages 13 to 16, sets out the scope, methodology and results of the work the actuary has carried out.

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

The major assumptions used by the actuary were:

	At 31 March 2016	At 31 March 2015	At 31 March 2014	At 31 March 2013	At 31 March 2012
Rate of increase in salaries	4.2%	4.2%	4.5%	3.9%	4.25%
Rate of increase in pensions in payment and deferred pensions	2.2%	2.2%	2.5%	1.7%	2.0%
Inflation assumption	2.2%	2.2%	2.5%	1.7%	2.0%
Nominal discount rate	3.60%	3.55%	4.35%	4.1%	4.85%
Discount rate net of price inflation	1.37%	1.3%	1.8%	2.35%	2.8%
Mortality rates at aged 60 (life expectancy in years)					
Current retirements					
Females	31.8	32.5	32.4	30.4	30.2
Males	30.2	30.5	30.4	28.5	28.4
Retirements in 15 years time					
Females	33.4	34.2	34.1	33.1	33.0
Males	31.9	32.3	32.1	31.2	31.1



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 2016	March 2015	March 2014
	£m	£m	£m
Liability relating to pensioners in payment	1,252	1,510	1,413
Liability relating to deferred pensioners	15	14	13
Liability relating to active members	1,815	1,598	1,497
<b>Scheme liability at 31 March</b>	<b>3,082</b>	<b>3,122</b>	<b>2,923</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 13-16).

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

## 12 (d) Sensitivity analysis

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty GAD have been asked to indicate the approximate effects on the actuarial liability, as at 31 March 2016, of changes to the most significant actuarial assumptions.

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

There is significant uncertainty associated with how members will retire in future, both for those remaining in the current scheme where recent patterns of retirement have been materially different to historic patterns, and as a result of the scheme reform for those members who will move across to the new scheme. Assumed patterns of age retirement after normal pension age can have a significant impact on scheme liabilities in the final salary sections and so GAD have included an indication of the approximate effect (on the total past service liability) of assuming all final salary section members retire one year earlier.

Table G shows the indicative effects on the total liability as at 31 March 2016 of changes to these assumptions (rounded to the nearest ½%).

**Table G - Sensitivity to significant assumptions**

Change in assumption *		Approximate effect on total liability	
<b>Financial assumptions</b>			
(i)	discount rate: +½% a year	-7%	-£220 million
(ii)	(long-term) earnings increase: +½% a year	+1½%	+£50 million
(iii)	pension increases: +½% a year	+6%	+£180 million
<b>Demographic assumptions</b>			
(iv)	additional 1 year increase in life expectancy at retirement	+3%	+£90 million
<b>Age retirement</b>			
(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.

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

	Note	2015-16 £'000	2014-15 £'000
Scheme liability at 1 April		3,122,305	2,922,293
Current service cost	5	150,000	149,000
Pension financing cost	6	111,000	128,000
Transfers in		1,651	-
Pension benefits payable	12(f)	(122,812)	(115,988)
Other re-measurement - (gains)/losses	12(g)	(180,000)	39,000
<b>Scheme liability at 31 March</b>		<b>3,082,144</b>	<b>3,122,305</b>

During the years ended 31 March 2016 and 31 March 2015, employer's contributions represented 38.45% and 32.15% of pensionable pay respectively. In 2014-15 employees' contributions were 2.4% or 1.8% 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 April 2012 employee's contributions included personal pension contributions (PPCs) of 1.28%. From 1 April 2013 personal contributions were doubled to 2.56% and from 1 April 2014 they were increased to 3.2%.

From 1 April 2015 the PPC's and the spouse/civil partner contributions were combined: where the annual rate of pensionable earnings were less than £150,000 the combined contribution rate was 4.41% of net salary, where the annual rate of pensionable earnings exceeded £150,000 the contribution rate was 4.43%.

Also from 1 April 2015 fee-paid judges joined the scheme. The combined contributions of these fee-paid judges varied from 4.6% to 8.05% of gross salary depending on the annual rate of pensionable earnings.

The 2015-16 contribution rates are expected to remain the same in 2016-17.

## 12 (f) Analysis of benefits paid

	2015-16		2014-15	
	£'000	£'000	£'000	£'000
Members – Base pensions	23,865		21,087	
Members – Pensions increase	16,060		15,549	
Members – Lump sum on retirement	6,983		7,163	
Dependants – Base pensions	2,004		2,038	
Dependants – Pensions increase	4,894		5,013	
Dependants – Lump sum on death of members	635		894	
<b>Pension benefits payable from Supply</b>		<b>54,441</b>		<b>51,744</b>
Members – Base pensions	51,090		47,741	
Members – Lump sum on retirement	10,157		9,388	
Dependants – Base pensions	6,574		6,569	
Dependants – Lump sum on death of member	550		546	
<b>Pension benefits payable from Consolidated Fund</b>		<b>68,371</b>		<b>64,244</b>
<b>Total pension benefits payable charged against provision</b>		<b>122,812</b>		<b>115,988</b>

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

	2015-16	2014-15
	£'000	£'000
Experience gains/(losses) arising on the scheme liabilities	32,000	84,000
Gains/(losses) resulting from changes in assumptions underlying the present value of scheme liabilities	148,000	(123,000)
<b>Per Statement of Changes in Taxpayers Equity</b>	<b>180,000</b>	<b>(39,000)</b>

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

	2015-16	2014-15	2013-14	2012-13	2011-12
	£'000	£'000	£'000	£'000	£'000
<i>Experience gains/(losses) on scheme liabilities:</i>					
Amount	32,000	84,000	(78,000)	(24,000)	167,000
Percentage of the present value of the scheme liabilities at the balance sheet date	(1.04%)	(2.69%)	2.67%	0.96%	(7.62%)
<i>Total other re-measurement - gains/(losses):</i>					
Amount	180,000	(39,000)	(294,000)	(178,000)	137,000
Percentage of the present value of the scheme liabilities at the balance sheet date	(5.84%)	1.25%	10.06%	7.13%	(6.25%)

## 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 MoJ is involved in a legal action involving claimants who are seeking to strike out the age restrictions on the transitional protection arrangements in the new judicial pension scheme 2015, allowing them to remain in the JUPRA 1993 scheme rather than having to join the new 2015 scheme. Whilst it is not possible to calculate the potential liability the loss of the case would have financial consequences for the MoJ, increasing employer contributions and affecting the fee-paid judges' provision.

## 15. Related-party transactions

The Judicial Pension Scheme does not fall within the ambit of the Ministry of Justice, as it obtains Parliamentary approval for its resources under a separate Supply Estimate. The Ministry of Justice is the Lead Appointing Body for most Judiciary within the JPS. The Lord Chancellor is the Scheme Manager. The Permanent Secretary to the Ministry of Justice has been appointed as Accounting Officer for the JPS. The Ministry of Justice is regarded as a related party.

The JPS has not had unusual material transactions with the Ministry of Justice and other participating Government Departments who appoint Judicial Office Holders that are members of the JPS.

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

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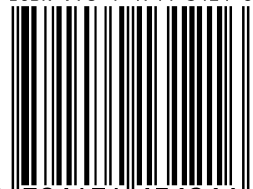
## **16. Events after the reporting period**

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

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made. Sensitivity analysis around the key financial assumptions underpinning the actuarial valuation of the Scheme liabilities that may potentially be affected by this decision can be found on page 46 of these accounts.



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