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# **Judicial Pensions Scheme Annual Report and Accounts 2014-15**

**(For the year ended 31 March 2015)**

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**(For the year ended 31 March 2015)**

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 2015-16 and the document Public Expenditure: Statistical Analyses 2015, present the Government's outturn for 2014-15 and planned expenditure for 2015-16.



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## REPORT OF THE MANAGERS

### Background to the Judicial Pensions Scheme

These Accounts relate to the financial year ending 31 March 2015. The following paragraphs summarise the arrangements operating in 2014-15.

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

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

The 1993 Act provides a lump sum of 2.25 times the member's annual pension. The annual pension is calculated at  $\frac{1}{40^{\text{th}}}$  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 2014-15 earnings cap was £145,800 (2013-14: £141,000).

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

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

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

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

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

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

The boundary of these JPS Accounts is inclusive of all relevant expenditure and income relating to the payment of judicial pension benefits irrespective of the source of the funds. As salaried judges automatically become members of the JPS on appointment it is not necessary to provide a separate stakeholder pension scheme.

Since 5 January 2015, administration of the pension awards and pension payrolls has been outsourced to Punter Southall (see below). However, Mrs Shirley Hales remained the Scheme Administrator until 31 March 2015.

Under the Judicial Pensions Regulations 2015 which came into effect on 1 April 2015 the Lord Chancellor, as Scheme Manager, has delegated responsibility for the administration of the JPS to Mr Nick Goodwin, the Director of Judicial Policy, Pay and Pensions. Mr Goodwin is supported in this role by Mr David Collins, who became the Head of the Judicial Pay and Pensions Team on 1 April 2015.

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

### **Contributions into the JPS**

The cost of benefits accruing for each year of service is shared between the Appointing Bodies and the judicial office-holders. For the Appointing Bodies, their contributions rate was 32.15% of pensionable pay for 2014-15 and 2013-14. For judicial office-holders, their share was either 1.8% or 2.4% of pensionable pay for 2014-15 and 2013-14.

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

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

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

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

Serving members are able to increase their personal pension benefits and/or dependants' entitlements by making additional voluntary contributions to one of three AVC facilities within the JPS and also externally, to the AVC suppliers – The Equitable Life Assurance Society and Prudential plc. The three "in-house" AVC facilities were closed to new subscribers with effect from 6 April 2006. Making additional contributions to the external AVC scheme does not increase a member's pension benefits under the JPS. It is also possible for members to contribute to a freestanding AVC scheme.

## **Pension Increases**

Annual increases are applied to pension payments from the first Monday on or before 6 April, in line with the CPI index, as at the previous 30 September, in accordance with the Pensions (Increase) Act 1971. The annual pension increase in April 2014 was 2.7% (2013: 2.2%).

## **Review of the Year**

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

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

The provision for fee-paid pension entitlements set out on page 41 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 being appealed by the Claimant at the Court of Appeal. On the basis that JPS will be required to pay pension entitlements to fee-paid judiciary, the provision has been calculated based upon the most recent legal counsel advice and Government Actuary's Department (GAD) calculations relating to historical contributions.

#### **Pension reform**

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

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

Following a 12-week consultation the regulations were made on 9 February 2015. There was an options exercise for those scheme members who had to choose to join the scheme. This had to be completed by 31 March 2015, prior to the introduction of new scheme.

The Judicial Pension Scheme 2015 (JPS 2015) came in to effect on 1 April 2015 and applies to all new members appointed from that date and also to those members who are

currently in service who do not have transitional protection to allow them to continue as a member in their current scheme.

## **The Judicial Pension Scheme Boards**

### **The Judicial Pensions Board**

The Judicial Pensions Regulations 2015 (JPR15) established the Judicial Pension Board (JPB). The purpose of the JPB is to assist the Lord Chancellor in his role as 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 of the Pension Regulator in relation to the scheme and any connected scheme.

The JPB is also responsible for assisting the Scheme Manager in the performance of his functions under the JPR15.

The JPB had preliminary meetings on 3 and 25 February and 24 March in advance of the Scheme being established on 1 April 2015. The first JPB meeting since the JPS 2015 came into effect was held on 15 May 2015.

### **The Judicial Pensions Scheme Advisory Board**

The Judicial Pensions Scheme Advisory Board (JPSAB) was also established under the JPR15. The JPSAB is responsible for providing advice to the Lord Chancellor, at his request, on the desirability of making changes to the scheme.

The JPSAB met for the first time on 24 March 2015.

Jill Youds is the Independent Chair for both the JPB and the JPSAB.

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

The existing Judicial Pension Scheme Board (the JPS Board) will continue to operate alongside the JPB until July 2015 after which most of the responsibilities of the JPS Board will be undertaken by the JPB. The review and approval of key financial activities will be retained within the MoJ.

Details of when the JPS Board meet and the attendance record is set out in the Governance Statement. The final meeting of the current JPS Board will be on 1 July 2015.

### **Discount Rate**

Since 2006 the discount rate for pensions has been reviewed annually, using market conditions. On 1 December 2014 in PES (2014) 09, HM Treasury announced that the discount rate for pension liabilities would change from 1.8% in real terms to 1.3% in real



terms with effect from 31 March 2015.

### **Administrative arrangements**

The Judicial Pay and Pension team is part Judicial Policy, Pay and Pensions Directorate within the Law and Access to Justice Group. The Director is Mr Nick Goodwin.

Following an invitation to tender conducted in the spring of 2014, a new supplier, Punter Southall Limited, was appointed in the summer of 2014 to administer judicial pensions and payroll. Since 5 January 2015, Punter Southall has been administering judicial pensions on behalf of the Department.

Production of the accounts for the JPS will continue to be carried out by the Department, drawing on management information from Punter Southall.

### **Internal Audit**

A summary of the action points from the MoJ's Internal Audit Division are set out in the Governance Statement on page 21.

### **External Audit**

During 2014-15 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 auditors of the JPS are unaware. The Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that the auditors of the JPS are aware of that information.

### **Membership Statistics**

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

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

A. Active members	2014-15	2013-14
Active members B/F	2,205	2,200
Add: New entrants in the year	146	144
Returning deferred member	1	0
Less: Retirements in the year	-149	-133
Deferred members	-1	-1
Deaths	-6	-5
<b>Active members at 31 March</b>	<b>2,196</b>	<b>2,205</b>

B. Deferred members	2014-15	2013-14
Deferred members B/F	10	10
Add: Members leaving who have deferred pension rights	1	1
Add: Member who left in January 2014 who opted to defer (members have 6 months from their last day in service to make a decision)	1	0
Less: Deferred pension coming into payment	-2	-1
Deferred member rejoining scheme	-1	0
<b>Deferred members at 31 March</b>	<b>9</b>	<b>10</b>

C. Pensions in payment	2014-15 Members	2014-15 Dependants	2014-15 Total	2013-14 Total
Pensioners in payment B/F	1,422	515	1,937	1,829
Add: Members retiring in year at normal retirement age (1)	151	0	151	131
New pensioners under a pension sharing on divorce order	3	0	3	6
New members in receipt of a Guaranteed Minimum Pension (GMP) only	4	0	4	15
New dependants	0	52	52	28
Member retired as at 31/3/2014 but not on pension payroll until April 2014	0	0	0	1
Reinstatement of pension	0	0	0	0
Less: Members retiring in year, previously in receipt of a GMP	-9	0	-9	-16
Deaths in year	-54	-17	-71	-54
Cessation of full time education (dependant child pensioners)	0	-1	-1	-3
Suspension of pension	0	0	0	0
<b>Pensioners in payment at 31 March</b>	<b>1,517</b>	<b>549</b>	<b>2,066</b>	<b>1,937</b>

(1) Includes two preserved awards coming into payment.

## Financial position

At 31 March 2015 the JPS had net liabilities, including the pension liability, of £3,610m (31 March 2014 - £3,436m). This is attributed to the pension liability of £3,122m (31 March 2014 - £2,922m) as detailed in note 12c to the accounts and the provision for fee-paid judges pension entitlements (note 12a). The provision has decreased by £28m to £490m mainly due to a reduction in the estimate of the number of days that the judges were sitting (31 March 2014 - £518m). The Supplementary Estimate had included an additional £100m for the fee-paid judges' provision giving a favourable variance of over £128m against the Estimate.

The key figures of interest costs and current service costs (CSC) are supplied by the Government Actuary's Department (GAD). In the case of both these costs a more prudent approach is adopted for estimates since the accounts would be qualified if the estimate is breached. However the significance of these costs in regard to causing such a breach has been very much reduced in 2014-15 by the favourable variance for the fee-paid judges' provision

Interest costs of £128m show a significant increase from the prior year (2013-14: £103m). The interest cost is calculated by applying the gross discount rate to the liability. The gross discount rate has increased from 4.1% at 31 March 2013 to 4.35% at 31 March 2014 resulting in the increase in interest costs. It is broadly in line with the Supplementary Estimate of £130m.

The CSC is primarily driven by applying the cost of pension earned by active members over the year to the annual payroll figure. CSC increased to £149m from £135m in 2013-14 although this was slightly below the supplementary estimate figure of £152m because of the more prudent approach adopted for the estimates. The 2013-14 CSC was calculated using the net discount rate of 2.35% at 31 March 2013 while the 2014-15 CSC is calculated using the net discount rate at 31 March 2014, which was 1.8%. Since the rate has decreased, the cost of service accruing over the next year, as a percentage of pay, has increased.

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

## Information for Members

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

### JPS Board

Chairman	- Steve Gillespie
Director of Judicial Pensions and Reward	- Nick Goodwin
Deputy Director Pensions & Judicial Reward (until 28/5/15)	- Rod Mclean
Corporate Finance	- Audrey Fullerton
Scheme Administrator (until 31/3/15)	- Shirley Hales
Head of Judicial Pay & Pensions (from 1/4/15)	- David Collins
Estimates Manager	- David Eddleston
Internal Audit	- Cheyne Mitchell
JPS Accountant	- Adrian Matthews

Board Secretary

- Jane Storrar

## **Managers**

### *JPS Manager and Accounting Officer:*

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

### *Scheme Administrator:*

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

### *Pension Administrators (from 5/1/15)*

Punter Southall  
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.

### *Pension Payment Contractor (until 4/1/15):*

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

## **Auditors**

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

## **Appointing or Administering Bodies**

As at 31 March 2015 the following bodies participated in the JPS:

- Her Majesty's Courts and Tribunals Service
- Competition Commission
- Northern Ireland Courts and Tribunals Service
- Scottish Government
- Corporation of London

- Department for Communities and Local Government
- Welsh Government

### **Further Information**

Any enquiries about the JPS should be addressed to:

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

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

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

*Ursula Brennan*  
Accounting Officer

Date: 9 July 2015

## REPORT OF THE ACTUARY

### Introduction

This statement has been prepared by the Government Actuary's Department at the request of the Ministry of Justice ('the Department'). It summarises the pensions disclosures required for the 2014-15 Resource Accounts of the Judicial Pension Scheme ('the scheme' or 'the JPS').

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

The statement is based on an assessment of the liabilities as at 31 March 2012, with an approximate updating to 31 March 2015 to reflect known changes.

### Membership data

Tables A to C summarise the principal membership data as at 31 March 2012 and 31 March 2015 used to prepare this statement.

**Table A – Active members**

31 March 2012		31 March 2015	
Number	Total salaries in membership data (pa) (£ million)	Total accrued pensions (£ million)	Total salaries (£ million)
2,227	266.2	63.8	266.1

**Table B – Deferred members**

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

**Table C – Pensions in payment**

	31 March 2012	31 March 2015
<b>Number</b>	<b>Total pension (pa)</b>	<b>Total pension (pa)</b>
	<b>(£ million)</b>	<b>(£ million)</b>
1,737	77.3	98.0

**Methodology**

The present value of the liabilities has been determined using the Projected Unit Credit Method, with allowance for expected future pay increases in respect of active members, and the principal financial assumptions applying to the 2014-15 Resource Accounts. The contribution rate for accruing costs in the year ended 31 March 2015 was determined using the Projected Unit Credit Method and the principal financial assumptions applying to the 2013-14 Resource Accounts.

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

This statement excludes liabilities in respect of the Judicial Service Award, and in respect of fee-paid members.

**Principal financial assumptions**

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

**Table D – Principal financial assumptions**

	<b>31-Mar-15</b>	<b>31-Mar-14</b>
	<b>(% p.a.)</b>	<b>(% p.a.)</b>
Gross discount rate	3.55	4.35
Price inflation (CPI)	2.2	2.5
Earning increases (excluding promotional increases)	4.2	4.5
Real discount rate (net of CPI)	1.3	1.8

## Demographic assumptions

The demographic assumptions adopted for the assessment of the liabilities as at 31 March 2015 are based on those adopted for the 2012 funding valuation of the JPS.

80% of the standard mortality tables known as S1NxA are used. Mortality improvements are in accordance with those incorporated in the 2012-based principal population projections for the United Kingdom.

The contribution rate used to determine the accruing cost in 2014-15 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2013-14 Resource Accounts.

## Liabilities

Table E summarises the assessed value as at 31 March 2015 of benefits accrued under the scheme prior to 31 March 2015 based on the data, methodology and assumptions described in paragraphs 3 to 11. The corresponding figures for the previous four year ends are also included in the table.

**Table E – Statement of Financial Position**

**£ million**

	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
<b>Total market value of assets</b>	nil	nil	nil	nil	nil
<b>Value of liabilities</b>	3,122	2,923	2,497	2,192	2,183
<b>Surplus/(Deficit)</b>	(3,122)	(2,923)	(2,497)	(2,192)	(2,183)



## Pension cost

The cost of benefits accruing in the year ended 31 March 2015 (the Current Service Cost) is based on a standard contribution rate of 56.1%, as determined at the start of the year. Members contribute 1.8% or 2.4% of pay for their spouse/civil partner pension after death, which for members of the 1993 scheme is limited to the earnings cap. In 2014-15 members contributed an additional personal pension contribution of 3.2% of pay, including pay above the earnings cap. Table F shows the standard contribution rate used to determine the Current Service Cost for 2013-14 and 2014-15.

**Table F – Contribution rate**

	Percentage of pensionable pay	
	2014-15	2013-14
<b>Standard contribution rate</b>	56.1%	51.0%

For the avoidance of doubt the employers' share of the standard contribution rate determined for the purposes of the Resource Accounts is not the same as the actual rate of contributions payable by employers, which will be based on the actuarial valuation of the pension scheme.

The pensionable payroll for the financial year 2014-15 was £266.1 million. Based on this information, the accruing cost of pensions in 2014-15 (at 56.1% of pay) is assessed to be £149 million. There is no past service cost and so this is the total pension cost for 2014-15.

**Government Actuary's Department**

**28 May 2015**

## **STATEMENT OF THE ACCOUNTING OFFICER'S RESPONSIBILITIES**

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

The combined financial statements must give a true and fair view of the state of affairs of the JPS at the year end and of the net resource outturn and cash flows for the year then ended. The financial statements are required to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities that govern them. In addition, the financial statements must be prepared so as to ensure that the contributions payable to the JPS during the year have been paid in accordance with the JPS rules and the recommendations of the actuary.

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

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

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

## **Governance Statement**

### **Scope of Responsibility**

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

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

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

As Accounting Officer, I work with Ministers and senior MoJ Management through the Departmental Board and other meetings and correspondence to implement the MoJ's plans, allocate resources and delegate financial authority to senior staff. I delegate responsibility for the administrative and operational activities of the JPS to the Director of Judicial Policy, Pay and Pensions, who manages the Judicial Pay and Pensions (JP & P) Team. The team is part of the Law and Access to Justice Group. I therefore place reliance upon the annual assurance from Nick Goodwin, the Director of Judicial Policy, Pay and Pensions during the financial year 2014-15, as evidenced by his endorsement of this Governance Statement.

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

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

The governance arrangements were in place in the MoJ for the year ended 31 March 2015 and up to the date of approval of the annual accounts accords with Treasury guidance.

### **Governance Framework**

The JPS Board oversees the financial, accounting and administrative functions of the Scheme. It is a requirement that the Board is chaired by an independent chairperson,

outside of the JPS's administration structure. The Chair of the JPS Board since 1 April 2011 is Steve Gillespie, Deputy Director, Her Majesty's Courts and Tribunals Service Finance. The Board's members include the Director of Judicial Policy, Pay and Pensions (JP, P & P), a senior representative for MoJ Corporate Finance, a senior representative for MoJ Estimates, a senior representative from Internal Audit Division, the Deputy Director Judicial Pay & Pensions, the Scheme Administrator and the JPS Accountant (a full list of the current Board members is included in the Report of the Managers).

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

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

The Board manages risks actively using a risk register approach, challenging at each meeting the reported impact and likelihood of each risk. The Board also maintains an issues log which is reviewed at each meeting.

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

Within the MoJ, the Programme Board (previously known as the Project Board) oversees both the work on the retrospective pension rights and judicial pension reform. There is cross-membership with the JPS Board. Since April 2014 the Chair of the JPS Board, Steve Gillespie, has been member of the Programme Board. The Programme Board is chaired by Nick Goodwin, Director of JP, P and P. This enables the JPS Board to identify any areas of concern for the scheme. The Programme Board also oversees the work on the Judicial Pension and Payroll Administration (PAPA) Project (see below).

In addition, both the Corporate Finance Representative and the Scheme Accountant liaise as appropriate with members of the O'Brien working group and the JPS Board to establish the provision for fee-paid pension entitlements set out on page 41 of these accounts.

The Board met four times in the financial year 2014-15. The table below shows the attendance at each meeting.

<b>Date of Meeting/Board Member</b>	<b>14.4.14</b>	<b>3.7.14</b>	<b>20.11.14</b>	<b>4.3.15</b>
Chairman	Unable to attend	Attended	Attended via telephone link	Attended
Director of Judicial Policy, Pay & Pensions (Nick Goodwin)	Attended (Acting Chairman for this meeting)	Attended	Unable to attend	Unable to attend
Corporate Finance Representative (Audrey Fullerton)	Attended	Attended	Attended	Unable to attend
Deputy Director, Judicial Policy, Pay & Pensions (Ian Gray until June 2014; Rod Mclean from July 2014)	Unable to attend	Unable to attend	Attended	Attended
Estimates Representative (David Eddleston Note: Mr Eddleston is only required to attend meetings when the Scheme Estimate is approved)	Not required	Not required	Attended	Attended
Scheme Administrator	Attended	Attended	Attended	Attended
Scheme Accountant	Attended	Attended	Attended	Attended
Internal Audit Representative	Attended	Attended	Attended	Attended
Representative of Pay and Pensions Administration (PAPA)	Attended at the invitation of the Board	Attended at the invitation of the Board	Attended at the invitation of the Board	Attended at the invitation of the Board

In line with good practice, Terms of Reference for the Board were reviewed annually and arrangements established for the Board to review its own effectiveness. It ensured that action points were followed up and key risks were reviewed at every meeting.

As part of this review the Board revised the Terms of Reference to include its role in providing assurance to the Permanent Secretary and Accounting Officer by providing oversight of the framework of internal controls and oversight and approval of this Governance Statement. The membership and structure of the Board were incorporated into the Terms of Reference.

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

- The Departmental Board (DB) and Executive Management Committee (ExCo)
- MoJ Audit and Risk Committee (ARC)

No issues were referred to them via the Senior Management Team (SMT)

- Internal Audit & Assurance (IAA)

The Director Judicial Policy, Pay & Pensions is responsible for the administrative and operational activities of the JPS. He is supported by the Deputy Director and the Judicial Pay and Pensions (JP & P) team which includes the Scheme Administrator. The JP & P team is part of Law and Access to Justice Group under the authority of Catherine Lee, Director General, Law and Access to Justice Group.

Financial reporting for the JPS is carried out by the Financial Reporting and Control Section of MoJ Corporate Finance.

### **Pension and payroll administration outsourcing**

Until 4 January 2015 Equiniti Paymaster Limited (Paymaster) was contracted to provide payroll services for the payment of lump sums, base pensions and pension increases which are paid from the Consolidated Fund and the JPS Estimate. Paymaster operated appropriate governance and internal control arrangements and these services were audited. The JP & P team managed and monitored the performance of Paymaster under the contract and Paymaster has provided an assurance to support its governance and control arrangements.

Until 4 January 2015 Liberata UK Limited (Liberata) maintained and managed the JPS accounts at the Government Banking Service. Liberata also provided and maintained the accounting system that supports the JPS accounts. These services were provided under the terms of the company's contract with the MoJ. Liberata has provided an assurance that the services provided have been delivered in compliance with the assurance and control requirements of that contract.

Following an invitation to tender conducted in the spring of 2014 a new supplier, Punter Southall Limited, was appointed in the summer of 2014 to administer judicial pensions and payroll. The Judicial Pension and Payroll Administration Project (PAPA) worked closely with Punter Southall Ltd to assure the transfer. This included extensive testing to ensure accuracy of data and benefit calculations to give the Judicial Pay and Pensions Programme Board, which includes members of the JPS Board, confidence to approve the service transfer. Since 5 January 2015 Punter Southall has been administering judicial pensions on behalf of the Department.

Production of the accounts for the JPS continues to be carried out by the Department but drawing on management information from Punter Southall.

Mrs Shirley Hales continued to be the Scheme Administrator until 31 March 2015. On 1 April 2015 the Judicial Pensions Regulations 2015 came into effect. In accordance with the

Regulations the Lord Chancellor, as the Scheme Manager, delegated responsibility for the administration of the JPS to Nick Goodwin, the Director of Judicial Policy, Pay and Pensions. Mr Goodwin is supported in this role by Mr David Collins, who became the Head of the Judicial Pay and Pensions Team on 1 April 2015.

The JPS is a small public service pension scheme with 2,196 active members and 2,066 pensioners as at 31 March 2015. Following the guidance of the Corporate Governance Code the Board has concluded there are areas within the Code that are not appropriate to the JPS. These include the membership and composition of the Board where Ministerial or non-executive director involvement is unnecessary. I am satisfied that this can be explained on grounds of appropriateness and proportionality and I am also satisfied that adequate oversight and control of the JPS has been maintained throughout the period covered by these accounts.

### **Risk Assessment and Management**

The Department's Risk Management Strategy, Policy and Framework document, approved and endorsed by the Corporate Management Board (now the Departmental Board) was initially published in July 2008, with an updated version published in April 2010. The document is 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 and Annexes.

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

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

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

The other key elements in the JPS's control system are regular financial and management information. This includes management reports by the Scheme Administrator to the JPS Board, together with financial reports, on an exception basis, and the position on any business risk – financial, accounting and operational. The JPS Board also regularly reviews the JPS Risk Register and Issues Log.

As part of the Board's active review of the Risk Register a new risk was added to monitor the transition to the new arrangements with Punter Southall. To strengthen the management of this risk and provide an assurance to the Board a member of the PAPA project team has attended the Board meetings during the 2014-15 to report on the progress of the project. No ministerial directions were given. There were no lapses of data security.

## **Review of effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the governance arrangements. My review of these arrangements is informed by the work of the internal auditors, the Director, Deputy Director and administrators of the JPS, who have responsibility for the development and maintenance of the governance framework, and comments made by the external auditors in their management letter and other reports. The key elements of the governance arrangements are set out above and contribute to my review of its effectiveness.

## **Significant Compliance Issues**

In accordance with the Risk and Control framework, the JPS's administrative processes are reviewed by Internal Audit & Assurance (IAA) annually. The internal audit for 2014-15 focused upon the arrangements for the transfer of judicial pension administration and payroll functions to Punter Southall. Overall IAA were satisfied that the transfer of pension administration and payroll arrangements was effectively managed.

There were three priority 3 recommendations:-

- that a three way reconciliation is completed confirming that paper records transported to Redrock reconciled with those scanned, transmitted and received by Punter Southall (including original hard copy papers);
- that the lessons learned exercise is completed, any remedial action required is taken and consideration is given to any related future scheme implementation; and
- the Programme Board, or Director, is presented with an overview document for sign off to a business as usual position. To include individual sign-off by respective stakeholders of each of the completed elements of the project, any outstanding actions; and the transfer and/or closure of risks.

Internal audit had previously raised concerns that governance arrangements at the year end be defined to cater for the transition period and bolster the business critical role of Scheme Administrator. Actions were taken to address both of these points with:

- The continuation of the current JPS Board until the 2014-15 accounts are signed; and a policy paper setting out the interim arrangements, in particular the interaction between the current arrangements and the shadow Pension Board.
- The appointment in July 2014 of a temporary Deputy Director, Judicial Policy, Pay and Pensions who has supported the role of the Scheme Administrator and providing a resource to enable critical work to continue in her absence.



This statement applies to the JPS. The Governance Statement for the Ministry of Justice as a whole is available as part of the Department's Annual Report and Accounts for 2014-15, which is published on its website.

Ursula Brennan  
Accounting Officer

Dated: 9 July 2015

Nick Goodwin  
Director of Judicial Policy, Pay and  
Pensions

Dated: 7 July 2015

## **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 2015 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and related notes. These financial statements have been prepared under the accounting policies set out within them.

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

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Report of the Managers, 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 that 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 2015 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 2015 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

## **Opinion on other matters**

In my opinion:

- the information given in the Report of the Managers and the Report of the Actuary for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which I report by exception**

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

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

## **Report**

I have no observations to make on these financial statements.

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

**Date 13 July 2015**

## Statement of Parliamentary Supply

### Summary of Resource and Capital Outturn 2014-15

		2014-15 Estimate			2014-15 Outturn			2014-15	2013-14
		Voted	Non-Voted	TOTAL	Voted	Non-Voted	TOTAL	Voted outturn compared with Estimate: saving/ (excess)	TOTAL
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Departmental Expenditure Limit									
- Resource		-	-	-	-	-	-	-	-
- Capital		-	-	-	-	-	-	-	-
Annually Managed Expenditure	SoPS 2	<b>192,915</b>	91,200	284,115	<b>61,775</b>	89,400	151,175	<b>131,140</b>	(359,070)
- Resource									
- Capital		-	-	-	-	-	-	-	-
Total Budget		<b>192,915</b>	91,200	284,115	<b>61,775</b>	89,400	151,175	<b>131,140</b>	(359,070)
Non-Budget									
- Resource									
<b>Total</b>		<b>192,915</b>	91,200	284,115	<b>61,775</b>	89,400	151,175	<b>131,140</b>	<b>(359,070)</b>
Total Resource		<b>192,915</b>	91,200	284,115	<b>61,775</b>	89,400	151,175	<b>131,140</b>	(359,070)
Total Capital		-	-	-	-	-	-	-	-
<b>Total</b>		<b>192,915</b>	<b>91,200</b>	<b>284,115</b>	<b>61,775</b>	<b>89,400</b>	<b>151,175</b>	<b>131,140</b>	<b>(359,070)</b>

### Net cash requirement 2014-15

		2014-15 Estimate	2014-15 Outturn	2014-15	2013-14
		£'000	£'000	Outturn compared with Estimate: saving/ (excess)	Outturn
		£'000	£'000	£'000	£'000
Net cash requirement	SoPS 4	<b>(40,980)</b>	<b>(48,091)</b>	<b>7,111</b>	<b>(50,108)</b>

### Administration costs 2014-15

		2014-15 Estimate	2014-15 Outturn	2013-14
		£'000	£'000	Outturn
		£'000	£'000	£'000
Administration costs		-	-	-

Figures in the areas outlined in bold are voted totals or other totals subject to Parliamentary control. Estimate figures are from the Supplementary Estimate. Explanations of variances between Estimate and outturn are given in the Report of the Managers and in SoPS note 2.

The notes on pages 27 to 29 form part of these accounts.

## **Notes to the Judicial Pensions Scheme Accounts (Statement of Parliamentary Supply) for the year ended 31 March 2015**

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

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2014-15 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

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

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

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

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

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

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

In the JPS transactions are treated in the same way in National Accounts as in IFRS based accounts. The accounting policies contained in the FReM follow IFRS to the extent that they are meaningful and appropriate in the public sector.

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

## SoPS 2 Net outturn

2014-15											2013-14 Outturn Total
Outturn							Estimate				
Administration			Programme				Total	Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	
Gross	Income	Net	Gross	Income	Net						
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Judicial Pension Scheme - Annually Managed Expenditure:											
Voted	-	-	-	159,995	(98,220)	61,775	61,775	192,915	131,140	131,140	(440,070)
Non-voted	-	-	-	89,400	-	89,400	89,400	91,200	1,800	1,800	81,000
<b>Total</b>	-	-	-	<b>249,395</b>	<b>(98,220)</b>	<b>151,175</b>	<b>151,175</b>	<b>284,115</b>	<b>132,940</b>	<b>132,940</b>	<b>(359,070)</b>

The outturn is less than the Estimate mainly because the provision for the fee-paid judges' retrospective pension entitlements has been reduced by £28,070k, primarily because of a reduction in the number of days these judges are expected to have worked. The Estimate included a further provision of £100,000k for an additional year's liability but this was more than offset by the financial affect of the reduction in the number of working days attributed to fee-paid judges. The non-voted expenditure is for the current service costs of higher judiciary judges paid from the Consolidated Fund.

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

		2014-15	2013-14
	Notes	Outturn £'000	Outturn £'000
Voted – net resource outturn in Statement of Parliamentary Supply	SoPS 2	61,775	(440,070)
Non-voted - non-supply expenditure	SoPS 2	89,400	81,000
<b>Net expenditure in Statement of Comprehensive Net Expenditure</b>		<b>151,175</b>	<b>(359,070)</b>

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

		2014-15	2014-15		2013-14
		Estimate	Outturn	Net Total Outturn compared with estimate: saving/ (excess)	
	Note	£'000	£'000	£'000	£'000
Resource outturn	SoPS 2	284,115	151,175	132,940	(359,070)
Accruals adjustments					
Non-cash items – Current Service and Interest costs		(282,000)	(277,000)	(5,000)	(238,000)
Non-cash items – Contributions receivable directly by the Consolidated Fund		-	47	(47)	(155)
Non cash items – Income attributable to Judiciary at the Corporation of London		-	115	(115)	105
Changes in working capital other than cash					
Increase/(decrease) in receivables		-	14	(14)	104
(Increase)/decrease in payables		-	(2,256)	2,256	(15)
Movements in provisions					
Fee-paid judges provision	12(a)	(100,000)	28,070	(128,070)	501,622
Use of pension provision		56,905	51,744	5,161	45,301
<b>Net cash requirement</b>		<b>(40,980)</b>	<b>(48,091)</b>	<b>7,111</b>	<b>(50,108)</b>

## SoPS 5. Analysis of Income payable to the Consolidated Fund

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

	2014-15 Outturn		2013-14 Outturn	
	Income £'000	<i>Receipts</i> £'000	Income £'000	<i>Receipts</i> £'000
Excess cash receipts surrenderable to the Consolidated Fund	48,091	<i>48,091</i>	50,108	<i>50,108</i>
<b>Total income payable to the Consolidated Fund</b>	<b>48,091</b>	<b><i>48,091</i></b>	<b>50,108</b>	<b><i>50,108</i></b>



## Statement of Comprehensive Net Expenditure for the Year Ended 31 March 2015

	Note	2014-15		2013-14	
		£'000	£'000	£'000	£'000
<b>Income</b>					
Contributions receivable	3	(97,555)		(95,187)	
Other pension income	4	<u>(665)</u>		<u>(661)</u>	
			(98,220)		(95,848)
<b>Expenditure</b>					
Service cost	5	149,000		135,000	
Pension financing cost	6	128,000		103,000	
Fee-paid judges provision	12a	<u>(28,070)</u>		<u>(501,622)</u>	
Administration expenses	7	<u>465</u>		<u>400</u>	
			249,395		(263,222)
<b>Net Expenditure</b>			<u><b>151,175</b></u>		<u><b>(359,070)</b></u>
<b>Other Comprehensive Net Expenditure</b>					
Recognised gains and losses for the financial year:					
Other re-measurement	12g		39,000		294,000
<b>Total Comprehensive Net Expenditure for the year ended 31 March 2015</b>			<u><b>190,175</b></u>		<u><b>(65,070)</b></u>

The notes on pages 34 to 47 form part of these accounts

**Statement of Financial Position  
as at 31 March 2015**

		31 March 2015		31 March 2014	
Note	£'000	£'000	£'000	£'000	
<b>Current Assets:</b>					
Receivables	9	7,854		7,797	
Cash and cash equivalents	10	<u>13,012</u>		<u>11,589</u>	
<b>Total current assets</b>			20,866		19,386
<b>Current Liabilities:</b>					
Payables (within 12 months)	11	<u>(18,361)</u>		<u>(14,682)</u>	
<b>Total current liabilities</b>			<u>(18,361)</u>		<u>(14,682)</u>
<b>Net current assets, excluding pension liability</b>			2,505		4,704
Pension liability	12e		(3,122,305)		(2,922,293)
Provisions	12a		(490,381)		(518,451)
<b>Net liabilities, including pension liability</b>			<u><b>(3,610,181)</b></u>		<u><b>(3,436,040)</b></u>
<b>Taxpayers' equity:</b>					
General fund			(3,610,181)		(3,436,040)
			<u><b>(3,610,181)</b></u>		<u><b>(3,436,040)</b></u>

Ursula Brennan  
Accounting Officer

Date: 9 July 2015

The notes on pages 34 to 47 form part of these accounts

## Statement of Changes in Taxpayers Equity for the Year Ended 31 March 2015

		2014-15	2013-14
	Note	£'000	£'000
<b>Balance at 1 April</b>		(3,436,040)	(3,508,920)
Consolidated Fund Standing Services:			
Pension payable by the Consolidated Fund	12(f)	64,244	61,098
Ex-gratia payments due from the MoJ		43	-
Contributions payable/(receivable) directly by the Consolidated Fund		(47)	155
Income attributable to the Judiciary at the Corporation of London		(115)	(105)
CFERs payable to the Consolidated Fund	SoPS 5	(48,091)	(50,108)
Prior year CFER payable		-	(3,230)
Comprehensive Net Expenditure for the year	SoPS 3	(151,175)	359,070
Other re-measurement - gain/(loss)	12(g)	(39,000)	(294,000)
<b>Balance at 31 March</b>		<b>(3,610,181)</b>	<b>(3,436,040)</b>

The notes on pages 34 to 47 form part of these accounts

## Statement of Cash Flows for the Year Ended 31 March 2015

	Note	<b>2014-15</b> £'000	<b>2013-14</b> £'000
<b>Cash flows from operating activities:</b>			
Net expenditure for the year	SoPS 3	(151,175)	359,070
Adjustments for non-cash transactions:			
Contributions payable/(receivable) by the Consolidated Fund		(47)	155
Income attributable to Judiciary at the Corporation of London		(115)	(105)
Movement in fee-paid judges provision	12a	(28,070)	(501,622)
Adjustment in respect of working capital		2,242	(89)
Increase in pension provision	5 & 6	277,000	238,000
Use of provisions		(51,744)	(45,301)
<b>Net increase in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund</b>		<b>48,091</b>	<b>50,108</b>
Payment of amounts due to the Consolidated Fund – current year		(38,566)	(41,748)
Payment of amounts due to the Consolidated Fund – prior year	10 & 11	(8,102)	(8,154)
<b>Net decrease in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund</b>		<b>1,423</b>	<b>206</b>
<b>Cash and cash equivalents at the beginning of the year</b>	10	11,589	11,383
<b>Cash and cash equivalents at the end of the year</b>	10	<b>13,012</b>	<b>11,589</b>

The notes on pages 34 to 47 form part of these accounts.

## Notes to the Financial Statements

### 1. Basis of preparation of the JPS Financial Statements

The financial statements of the Judicial Pensions Scheme (JPS) have been prepared in accordance with the relevant provisions of the 2014-15 Government Financial Reporting Manual (FReM), issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector. IAS 19 *Employee Benefits* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans* are of particular relevance to these statements.

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

#### 1.1 Judicial Pensions Scheme (JPS)

The Judicial Pensions Scheme is a contracted out, unfunded, defined benefit pay-as-you-go occupational pension scheme. It was administered by the Ministry of Justice's Judicial Pay and Pensions Team (JPP) until 4 January 2015 and since then by an external service provider, Punter Southall Limited. 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 2015 shows a pension liability of £3,122m and a provision of £490m for fee-paid judges (2013-14: £2,922m with a provision of £518m 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 2015-16 has already been given. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

## **2. Statement of accounting policies**

The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) to the extent that they are meaningful and appropriate in the public sector context.

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

### **2.1 Accounting convention**

These accounts have been prepared under the historical cost convention.

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

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

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

If a member has no dependants at retirement then they will receive a refund of WPS contributions for the period of service when they had no dependents. These refunds are paid with the lump sum on retirement and are accounted for on a cash basis. Personal pension contributions (PPCs) from members were introduced from 1 April 2012. They are accounted for on an accruals basis.

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

#### **2.1.2 Other pension income**

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

#### **2.1.3 Transfers in and out**

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

the financial statements in the period in which the sums were paid to or received from another pension scheme.

#### **2.1.4 Current service cost**

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

#### **2.1.5 Interest on scheme liabilities**

The interest cost is the increase during the period in the present value of the scheme liabilities because accrued members' benefits are one year closer to settlement and this is recognised in the Statement of Comprehensive Net Expenditure. The gross discount rate of 4.35% (2013-14 4.1%) 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 2014-15 is 1.3% per annum real (2013-14: 1.8%). The valuation takes account of the overnight change in the Scheme's liabilities as a result of the change in the discount rate to 1.3% real as at 31 March 2015. Such changes are recognised in the Statement of Comprehensive Net Expenditure for the year as advised by HM Treasury.

Full actuarial valuations by a professionally qualified actuary are obtained at intervals not exceeding four years with interim valuations every two years. The full valuation was carried out as at 31 March 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 to be appealed to the Employment Appeals Tribunal. In addition, a level of uncertainty also stems from the pension liability actuarial assumptions adopted by GAD.

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

### **2.1.8 Pension benefits payable**

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

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

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 JPP team are paid by the MoJ.

Since 5 January 2015 scheme administration has been carried out by Punter Southall Limited, an external service provider. The costs of Punter Southall Limited are paid by the MoJ.

Historically the JPS was authorised by HM Treasury to pay the Ministry up to £400k of the administration fees received, per annum. In 2013-14 the full £400k was passed over to the Ministry, deemed as the cost of administering the JPS. Since 1 January the restriction of £400k has been lifted and the MoJ has charged the Scheme 0.25% of ASLCs received. In 2014-15 this amounts to £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

	<b>2014-15</b>	<b>2013-14</b>
	£'000	£'000
Employers; appointing bodies:		
Accruing Superannuation Liability Charges (ASLCs)	84,899	84,357
Employees; Judicial Office-holders:		
Normal contributions: Widow(er)s' Pension Scheme (WPS)	4,444	4,200
Normal contributions: Personal Pension Contributions (PPCs)	8,043	6,352
Purchase of Added Years: internal JPS AVC's only	169	278
	<b>97,555</b>	<b>95,187</b>

£115 million contributions are expected to be payable to the JPS in 2015-16.

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

### 4. Other pension income

	<b>2014-15</b>	<b>2013-14</b>
	£'000	£'000
Administration fees receivable from appointing bodies	665	661
	<b>665</b>	<b>661</b>

### 5. Service Cost

	<b>2014-15</b>	<b>2013-14</b>
	£'000	£'000
Current service cost: (see note 12e)		
Judiciary paid from the JPS Estimate and pension increases for all Judiciary	59,600	54,000
Judiciary paid from the Consolidated Fund (notional expenditure)	89,400	81,000
	<b>149,000</b>	<b>135,000</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 2014-15 pension cost has been allocated at 40% Vote and 60% non-Vote (2013-14: 40% Vote and 60% non-Vote).

### 6. Pension financing cost

	<b>2014-15</b>	<b>2013-14</b>
	£'000	£'000
Net interest on defined pension liability (see note 12e)	128,000	103,000
	<b>128,000</b>	<b>103,000</b>

## 7. Administration Expenses

	2014-15 £'000	2013-14 £'000
Administration expenses paid to the Ministry	465	400
	<b>465</b>	<b>400</b>

### 8.1 Additional Voluntary Contributions to External Approved Providers

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

	Equitable Life		Prudential	
	2014-15 £'000	2013-14 £'000	2014-15 £'000	2013-14 £'000
<b>Movements in the year</b>				
Balance at 1 March / 1 April	460	546	2,636	2,640
New investments	16	16	457	481
Leavers, transfers and withdrawals	-	-	-	-
Sales of investments to provide pension benefits	(199)	(153)	(274)	(576)
Changes in market value of investments	26	52	304	91
Contribution received but not yet used to purchase benefits	-	(1)	-	-
<b>Balance at 28 February / 31 March</b>	<b>303</b>	<b>460</b>	<b>3,123</b>	<b>2,636</b>
Contributions received to provide life cover	-	0.1	1	1

Note that the figures for Equitable Life cover the period 1 March 2014 to 28 February 2015 while the Prudential figures are for the period 1 April 2014 to 31 March 2015. Equitable Life only provides a valuation at their anniversary date which is 28 February.

### 8.2 Additional Voluntary Contributions – historic internal arrangements

Historically there have been three AVC arrangements within the JPS provided for under the Judicial Pensions and Retirement Act 1993 (“the 1993 Act”) and the Judicial Pensions Act 1981 (“the 1981 Act”) as amended by the 1993 Act. The arrangements are as follows:

- The Judicial Added Benefit Scheme (JABS) (for 1981 Act members only). JABS enables members to increase the level of benefits payable from their main Judicial

## Pensions Scheme.

- The Judicial Added Years Scheme (JAYS) (for 1993 Act members only). JAYS enables members of the 1993 Scheme to increase the length of service and the benefits at retirement.
- The Judicial Added Surviving Spouse's Pension Scheme (JASSPS) (for 1993 Act members only). JASSPS enables members to make contributions that will increase only the level of the contingent surviving spouse's or civil partner's pension.

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

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

### 9 (a) Analysis by type

#### Amounts falling due within one year

	2014-15	2013-14
	£'000	£'000
Pension contributions due from appointing bodies:		
Accruing Superannuation Liability Charges (ASLCs), including administration fees	6,763	6,887
Pension contributions due from Judicial Office-holders:		
Normal contributions - Widow(er)s' Pension Scheme (WPS)	362	362
Normal contributions -Personal Pension Contributions (PPCs)	660	530
Purchase of Added Years: internal JPS AVC's only	8	18
Overpaid pensions to be returned	-	-
Other debtors	18	-
Ex-gratia payments due from MoJ	43	-
	<b>7,854</b>	<b>7,797</b>

### 9 (b) Analysis by organisation

#### Amounts falling due within one year

	2014-15	2013-14
	£'000	£'000
Balances with other central government bodies	6,806	6,887
Balances with bodies external to government	1,048	910
	<b>7,854</b>	<b>7,797</b>

## 10. Cash and cash equivalents

	2014-15	2013-14
	£'000	£'000
Balances as at 1 April	11,589	11,383
Net change in cash balances	1,423	206
<b>Balance at 31 March</b>	<b>13,012</b>	<b>11,589</b>

The following balances at 31 March were held at:

Government Banking Service	13,012	11,589
<b>Balance at 31 March</b>	<b>13,012</b>	<b>11,589</b>

## 11. Payables – in respect of pensions

### 11 (a) Analysis by type

	2014-15	2013-14
	£'000	£'000
<b>Amounts falling due within one year</b>		
Death in service and early retirement payments	496	281
Other lump sums due	157	-
Tax due to HM Revenue and Customs	4,656	2,768
Contributions received in advance	6	11
Administration charges due to Ministry of Justice	34	33
Total payables excluding CF creditor	5,349	3,093
Extra receipts due to the Consolidated Fund	13,012	11,589
	<b>18,361</b>	<b>14,682</b>

### 11 (b) Analysis by organisation

	2014-15	2013-14
	£'000	£'000
<b>Amounts falling due within one year</b>		
Balances with other central government bodies	17,708	14,401
Balances with bodies external to government	653	281
<b>Total Payables</b>	<b>18,361</b>	<b>14,682</b>

## 12. Provisions for pension liability

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

The provision for fee-paid pension entitlements represents a liability relating to fee-paid judicial office holders who have claimed, or are eligible to claim, retrospective pension rights. On 6 February 2013 the UK Supreme Court ruled that a recorder (a fee-paid judicial office holder) is entitled to a pension on terms equivalent to those applicable to a salaried

circuit judge. The matter was referred back to the Employment Tribunal for remedy and there have been several preliminary hearings to date about fee-paid judicial office holders. In August 2013 the Employment Tribunal ruled that Mr O'Brien (the lead case) should receive pension benefits from his date of appointment. This was overturned by the Employment Appeal Tribunal (4 March 2014) and the current ruling is that pension benefits are due from 7 April 2000 when the Part-time Workers Regulations 2000 should have been transposed. This ruling is now subject to appeal to the Court of Appeal and is listed to be heard summer 2015 with judgment expected in the autumn.

In January 2014 the Employment Tribunal ruled in the Miller case on two time-point issues and a number of monetary claims. This has informed the provision made in the 2013-14 accounts. One time-point issue – the exercise of discretion to extend time - is being appealed to the Employment Appeal Tribunal at a date to be listed. The second issue – the operation of the 3 month time limit – will be heard by the Court of Appeal November / December 2015.

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 in March 2016, 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 the impact of legal counsel, changes in GAD calculations and the transfer of a portion of the fee-paid judicial official pension entitlement provision to the MoJ, the provision has been reduced from £518,451k to £490,381k in 2014-15.

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

	2014-15 £'000	2013-14 £'000
Balances at 1 April	518,451	1,020,073
Provided in the year – fee-paid judges pension liability	-	-
Released in the year – fee-paid judges pension liability	(28,070)	(501,622)
Use of provisions	-	-
<b>Balance at 31 March</b>	<b>490,381</b>	<b>518,451</b>

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

The Judicial Pensions Scheme is an unfunded defined benefit scheme. The Government

Actuary's Department 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 has been used to form the basis of this assessment. This meets the FReM requirement that "the period between formal actuarial valuations shall be four years, with approximate assessments in intervening years." The Report of the Actuary, on pages 11 to 14, 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 2015	At 31 March 2014	At 31 March 2013	At 31 March 2012	At 31 March 2011
Rate of increase in salaries	4.2%	4.5%	3.9%	4.25%	4.9%
Rate of increase in pensions in payment and deferred pensions	2.2%	2.5%	1.7%	2.0%	2.65%
Inflation assumption	2.2%	2.5%	1.7%	2.0%	2.65%
Nominal discount rate	3.55%	4.35%	4.1%	4.85%	5.6%
Discount rate net of price inflation	1.3%	1.8%	2.35%	2.8%	2.9%
Mortality rates at aged 60 (life expectancy in years)					
Current retirements					
Females	32.5	32.4	30.4	30.2	30.3
Males	30.5	30.4	28.5	28.4	28.5
Retirements in 20 years time					
Females	34.2	34.1	33.1	33.0	32.7
Males	32.3	32.1	31.2	31.1	30.8

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 2015	March 2014	March 2013
	£m	£m	£m
Liability relating to active members	1,510	1,413	1,306
Liability relating to deferred pensioners	14	13	4
Liability relating to pensioners in payment	1,598	1,497	1,187
<b>Scheme liability at 31 March</b>	<b>3,122</b>	<b>2,923</b>	<b>2,497</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 11-14).

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

A sensitivity analysis for each significant actuarial assumption at 31 March 2015 is included below. The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty I have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2015 of changes to the significant actuarial assumptions.

Changes to IAS19 published on 16 June 2011 introduced enhanced disclosure requirements for defined benefits pension schemes, including the JPS. In particular, we understand these include a requirement to disclose a sensitivity analysis for each 'significant' actuarial assumption. Prior to this change we have disclosed a sensitivity analysis for each 'main' actuarial assumption and we view that it is reasonable to assume

that the 'main' assumptions are also 'significant' assumptions. Table 5 shows the indicative effects on the total liability as at 31 March 2015 of changes to these assumptions.

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

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

Table 6 shows the indicative effects on the total liability as at 31 March 2015 of changes to these assumptions (rounded to the nearest ½%).

**Table 6: Sensitivity to main assumptions**

Change in assumption *		Approximate effect on total liability	
<b>Rate of return</b>			
(i) discount rate:	+½% a year	-7 %	- £220 million
(ii) in excess of earnings growth:	+½% a year	+ 1 ½%	+ £50 million
(iii) in excess of pension increases:	+½% a year	+ 6%	+ £190 million
<b>Pensioner mortality</b>			
(iv) additional one year increase to 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.

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

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

	Note	2014-15 £'000	2013-14 £'000
Scheme liability at 1 April		2,922,293	2,496,692
Current service cost	5	149,000	135,000
Pension financing cost	6	128,000	103,000
Pension benefits payable	12(f)	(115,988)	(106,399)
Other re-measurement - (gains)/losses	12(g)	39,000	294,000
<b>Scheme liability at 31 March</b>		<b>3,122,305</b>	<b>2,922,293</b>



During the years ended 31 March 2015 and 31 March 2014, employer's contributions represented 32.15% of pensionable pay. 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 of 1.28%. From 1 April 2013 personal contributions were doubled to 2.56% and from 1 April 2014 they have been increased to 3.2%. The rate is expected to increase from 1 April 2015, the increase being determined by currently outstanding legislation.

## 12 (f) Analysis of benefits paid

	2014-15		2013-14	
	£'000	£'000	£'000	£'000
Members – Base pensions	21,087		18,677	
Members – Pensions increase	15,549		14,345	
Members – Lump sum on retirement	7,163		5,247	
Dependants – Base pensions	2,038		1,865	
Dependants – Pensions increase	5,013		4,673	
Dependants – Lump sum on death of members	894		494	
<b>Pension benefits payable from Supply</b>		<b>51,744</b>		<b>45,301</b>
Members – Base pensions	47,741		44,879	
Members – Lump sum on retirement	9,388		9,034	
Dependants – Base pensions	6,569		6,192	
Dependants – Lump sum on death of member	546		993	
<b>Pension benefits payable from Consolidated Fund</b>		<b>64,244</b>		<b>61,098</b>
<b>Total pension benefits payable charged against provision</b>		<b>115,988</b>		<b>106,399</b>

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

	2014-15	2013-14
	£'000	£'000
Experience gains/(losses) arising on the scheme liabilities	84,000	(78,000)
Gains/(losses) resulting from changes in assumptions underlying the present value of scheme liabilities	(123,000)	(216,000)
<b>Per Statement of Changes in Taxpayers Equity</b>	<b>(39,000)</b>	<b>(294,000)</b>

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

	2014-15	2013-14	2012-13	2011-12	2010-11
	£'000	£'000	£'000	£'000	£'000
<i>Experience gains/(losses) on scheme liabilities:</i>					
Amount	84,000	(78,000)	(24,000)	167,000	78,000
Percentage of the present value of the scheme liabilities at the balance sheet date	(2.69%)	2.67%	0.96%	(7.62%)	(3.57%)
<i>Total other re-measurement - gains/(losses):</i>					
Amount	(39,000)	(294,000)	(178,000)	137,000	175,000
Percentage of the present value of the scheme liabilities at the balance sheet date	1.25%	10.06%	7.13%	(6.25%)	(8.02%)

## 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

There are no contingent liabilities at 31 March 2015.

## 15. Related-party transactions

The Judicial Pensions Scheme does not fall within the ambit of the Ministry of Justice, as it obtains Parliamentary approval for its resources under a separate Supply Estimate. The Ministry of Justice is the Lead Appointing Body for most Judiciary within the JPS. 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.

## 16. Events after the reporting period

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

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