
Judicial Pensions Scheme Annual Report and Accounts 2016-17

(For the year ended 31 March 2017)

Judicial Pensions Scheme Annual Report and Accounts 2016 - 17

(For the year ended 31 March 2017)

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

Ordered by the House of Commons to be printed on 13 July 2017

This is part of a series of departmental publications which, along with the Main Estimates 2016-17 and the document Public Expenditure: Statistical Analyses 2016, present the Government's outturn for 2016-17 and planned expenditure for 2017-18



© Crown copyright 2017

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.uk/government/publications

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

Print ISBN 9781474145237

Web ISBN 9781474145244

ID 20061755 07/17

Printed on paper containing 75% recycled fibre content minimum

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

Contents

	Page
Accountability Report	
Corporate Governance	
Report of the Managers	2-13
Report of the Actuary	14-18
Statement of the Accounting Officer's Responsibilities	19
Governance Statement	20-25
Parliamentary Accountability and Audit Report	
Statement of Parliamentary Supply	26
Notes on the Statement of Parliamentary Supply	27-28
Parliamentary Accountability Disclosures	29
The Certificate and Report of the Comptroller and Auditor General	30-32
Financial Statements	
Statement of Comprehensive Net Expenditure	33
Statement of Financial Position	34
Statement of Change in Taxpayers Equity	35
Statement of Cash Flows	36
Notes to the Judicial Pensions Scheme Statements	37-51

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE

REPORT OF THE MANAGERS

Background to the Judicial Pension Scheme

The Judicial Pension Scheme (JPS) includes a number of judicial pension schemes that were contracted out of the State Second Pension (see, also, Contracting Out below). During 2016-17 the following schemes were operating:

The 1981 Scheme

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

The 1993 Scheme

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

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

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

The 2015 Scheme

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

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

The Pension Partnership Account

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

All schemes with the JPS are defined benefit schemes.

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

Main Features of the Schemes

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

The 1993 Act provides a lump sum of 2.25 times the member's annual pension. The annual pension is calculated at 1/40th 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 2016-17 earnings cap was £150,600 (2015-16: £149,400).

Both the 1981 and 1993 schemes are not registered schemes for the purposes of the Finance Act 2004. As a result, lump sum benefits payable from, and members' contributions payable to, the schemes do not attract income tax relief. Judges receive a service award which becomes payable 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 accounts of the Ministry of Justice (MoJ).

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

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

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

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

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

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

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

The Fee Paid Judicial Pension Scheme

Following the implementation of Judicial Pensions (Fee-Paid Judges) Regulations 2017, the Fee-Paid Judicial Pension Scheme (FPJPS) was established on 1 April 2017 to deliver the litigation remedy in the case of O'Brien v Ministry of Justice and related court decisions.

The scheme is based on a "final pensionable earnings" model. The pension has an accrual rate of 2.5% (1/40th) of pensionable earnings, subject to a 20 year restriction on the number of reckonable full-time equivalent years' worth of service. The scheme also includes an automatic lump sum on retirement at the rate of 2.25 times the member's annual pension.

The FPJPS 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 FPJPS do not attract tax relief. Members receive a service award equal to the tax payable on the lump sum.

The pension for surviving spouses and surviving civil partners is paid at 50% of the member's pension. The normal retirement for the scheme i.e. the age at which an unreduced pension is payable, is 65.

The scheme provided for death benefits on death in service of a lump sum equal to twice the amount of the member's pensionable pay.

Funding Sources

Judicial pension benefits are paid from two sources. Under statute, certain judicial post-holders' basic pension benefits (but not the annual pension increase) can only be paid out of the Consolidated Fund (CF). For the rest, the pension benefits are paid from Judicial 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. Eligible judicial office holders automatically become members of a judicial pension scheme on appointment so it is not necessary to provide a separate workplace pension scheme.

Scheme Management

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

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

The Lord Chancellor, as the Scheme Manager for the Judicial Pension Scheme (JPS) has delegated responsibility for the administration of the JPS to the Director of Finance and Planning. The Judicial Pay and Pensions Team is part of MoJ Corporate Finance.

External Audit

During 2016-17 the JPS was audited by the Comptroller and Auditor General. As far as the Accounting Officer is aware, there is no relevant audit information of which the JPS's auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the JPS's auditors are aware of that information.

The external audit fee is notional and accounted for in the books of the MoJ. The fee for 2016-17 is £41,500 (2015-16: £39,000).

The Judicial Pension Scheme Boards

The Judicial Pensions Board

The Judicial Pensions Regulations 2015 (JPR 2015) established a pension board known as the Judicial Pension Board (JPB). The purpose of the JPB is to assist the Lord Chancellor in his role of scheme manager in securing compliance with:

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

The JPB is also responsible for assisting the Scheme Manager in the performance of his functions under the JPR 2015.

The Judicial Pensions Scheme Advisory Board

The Judicial Pensions Scheme Advisory Board (JPSAB) was established under the JPR 2015. The JPSAB sits at the request of the Lord Chancellor who has been appointed under the JPR 2015 as the Scheme Manager. It is responsible for providing advice to the Lord Chancellor, on the desirability of a making changes to the scheme.

The Independent Chair for both the JPB and the JPSAB is Jill Youds. The JPSAB were not requested to meet in 2016-17.

The Judicial Pension Board Administration Committee

The Judicial Pension Board Administration Committee (JPBAC) is a new sub-committee of the JPB in 2016-17. The purpose of the committee is to oversee Scheme administration

services; ensure effective administration reporting procedures are in place; ensure that management information is monitored and regularly reviewed and oversee and monitor the development and implementation of an effective administration policy which is reviewed and tested regularly.

The Committee is made up of at least three members. The Committee currently consists of Ellen Kelleher (Chair of the Committee and also independent member of the JPB); Susan Andrews (independent member of the JPB); Jill Youds (Chair of the JPB); and David Collins (Head of Judicial Pay and Pensions, MOJ).

The Judicial Pension Scheme Finance Committee

The review and approval of key financial activities such as main and supplementary estimates and the annual accounts is retained within the MoJ under the governance of the Judicial Pension Scheme Finance Committee (JPSFC). The Committee is chaired by Caroline Patterson, Head of Financial Reporting & Control, Corporate Finance.

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

Key Developments in the year

Contributions into the JPS

The cost of benefits accruing for each year of service is shared between the Appointing Bodies and the judicial office-holders. For the Appointing Bodies, their contributions rate was 38.45% of pensionable pay for 2016-17 (2015-16: 38.45%).

In 2016-17 pension contributions for members varied between 4.60% and 8.05%. The rate of the member contribution is dependent upon the annualised rate of pensionable earnings. While the levels of pensionable earnings have been adjusted from the prior year the contribution rates are unchanged.

Contributions to the JPS by employers and members are set at rates determined by the Government Actuary's Department (GAD) and approved by the 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 contribution rates for members of the 1981 and 1993 schemes are adjusted take account of tax relief not being applicable. This contribution incorporates the Widow(er) Pension Scheme (WPS) contribution and the Personal Pension Contribution (PCC).

Members' Additional Voluntary Contributions (AVCs)

Serving members of the 1993 and 1981 schemes 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. These are Judicial Added Benefits Scheme, the Judicial Added Years Scheme and the Surviving Spouse's Pension Scheme. These three "in-house" AVC facilities were closed to new subscribers with effect

from 6 April 2006.

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

The JPS also provides for members of the 1981 and 1993 schemes to make additional voluntary contributions to the Judicial Additional Voluntary Contribution Scheme (JAVCS). Members may arrange to have agreed sums deducted from their salaries for onward payment to the approved providers, The Equitable Life Assurance Company and Prudential plc. Making additional contributions to the external AVC scheme does not increase a member's pension benefits under the JPS. It is also possible for members to contribute to a freestanding AVC scheme.

Since 1 April 2017 members of the JPS 2015 have also been able to make contributions to the JAVCS under the Pensions (Additional Voluntary Contributions) Regulations 1995 (Amendment) Regulations 2017.

Details of the JAVCS and the in-house AVC schemes can be found in note 8.2 of these accounts.

Pension Increases

Annual increases are applied to pension payments from the first Monday on or before 6 April, in line with the CPI index, as at the previous 30 September, in accordance with the Pensions (Increase) Act 1971. The annual pension increase in April 2016 was 0% (2015: 1.2%).

Contracting Out

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

Provision for pension entitlements to fee-paid judiciary

The provision for fee-paid pension entitlements set out in note 12a of these accounts represents a liability relating to fee-paid judicial office holders who have claimed retrospective pension rights. On 6 February 2013 the UK Supreme Court ruled that a fee-paid recorder is entitled to a pension on terms equivalent to those applicable to a salaried circuit judge. The matter was remitted to the Employment Tribunal to determine remedy, the amount of the pension entitlement.

Remedy has now been provided by the creation of the Fee-Paid Judicial Pension Scheme from 1 April 2017. However the amount continues to be a matter of dispute and is currently awaiting the reserved judgment of the Supreme Court on two important elements: (1) whether liability can pre-date the date (7 April 2000) that the Part-time Worker Directive should have been transposed into domestic law; and (2) the operation of the time limits to make a claim. On the basis that JPS is required to pay pension entitlements to fee-paid judiciary, the provision has been calculated based upon the most recent legal counsel

advice, the provisions of the FPJPS and Government Actuary's Department (GAD) calculations relating to historical contributions.

Discrimination litigation

Litigation has been brought by members of the judiciary who claim that the application of transitional protection is discriminatory on grounds of age, race and gender. The judgment from the Employment Tribunal in McCloud v MoJ published on 16 January 2017 found that the transitional provisions in the Judicial Pensions Regulations 2015 were not lawful under EU equality law and under the Equality Act 2010. This decision is currently being appealed by the MoJ.

Discount Rate

Since 2006 the discount rate for pensions has been reviewed annually, using market conditions. On 2 December 2016 in PES (2016) 10 Her Majesty's Treasury announced that the discount rate for pension liabilities would change from 1.37% to 0.24% in real terms with effect from 31 March 2017.

Membership Statistics

Salaried Members in the JUPRA Schemes

A. Active membership	2016-17
Active members at 31 March 2016	1,468
Adjustment: new joiners for 2015-16 not included above due to late notification	2
New joiners	19
Leavers entitled to deferred pension (became active salary linked)	(36)
Active members who retired	(155)
Active members who died	(6)
Active members at 31 March 2017	1,292
Active Salary Linkage members at 31 March 2016	560
Adjustment: new pensioners incorrectly included in the 2015-16 total	(2)
Active Salary Linkage members who became Active Salary Linked	36
Active Salary Linkage members who became true deferred	(1)
Salary Linkage Deferred members who died	(2)
Active Salary Linkage members at 31 March 2017	591
B. Deferred membership	2016-17
True deferred members at 31 March 2016	40
Adjustment: 1 MEP member incorreceted included in the JPS membership for 2015-16	(1)
Active members who became true deferred	1
New deferred pension credit members	1
True deferred members who retired (inc. pension credit)	(2)
True Deferred members at 31 March 2017 (including Deferred Pension Credit members)	39

C. Pensioner membership	2016-17
Pensioner members at 31 March 2016	2,192
Adjustment: new pensioners not included in the total for 2015-16 (see above)	2
New retirements	156
New spouse and children's pensions	31
Pension credit form deferred	1
Contingent Pension ceased	(37)
Pensioner members who died	(37)
Pensioner members at 31 March 2017	2,308

Total membership at 31/03/2016 including adjustments set out above	4,261
Total membership at 31/03/2017	4,230

Salaried and Fee-Paid Members in JPS 2015

A. Active Membership	2016-17
Active members at 31 March 2016	2,796
Adjustment: fee paid members removed as they did not accrue any pension in the scheme	(249)
New joiners in period (including transfers from the JUPRA scheme)	249
Leavers entitled to deferred pension	(2)
Leavers entitled to a refund of contributions	(1)
Leavers opting out - no liability	(6)
Active members who retired	(1)
Active members who died	(4)
Active members at 31 March 2017	2,782

B. Deferred Membership	2016-17
Deferred members at 31 March 2016	0
Active Members leaving who became Deferred	1
New Deferred Pension Credit members	0
Deferred members returning to scheme	0
Deferred pension coming into payment	0
Deferred members at 31 March (inc. Deferred Pension Credit members)	1

C. Pensioner membership	2016-17
Pensioner members at 31 March 2016	2
New retirements	1
New spouse and children's pensions	6
Contingent Pension ceased	0
Members who took trivial commutation	0
Pensioner members who died	0
Pensioner members at 31 March 2017	9

Total membership at 31/03/2016 including adjustment set out above	2,549
Total membership at 31/03/2017	2,792

Financial position

At 31 March 2017 the JPS had long-term liabilities of £4,503m (31 March 2016 - £3,660m). This is attributed to the pension liability (note 12c) of £3,765m (31 March 2016 - £3,082m) and the provision for fee-paid judges pension entitlements (note 12a). The provision has increased by £160m to £738m (31 March 2016 - £578m) due to an additional year's pensionable service undertaken by members still in post, the availability of more accurate information in respect of the number of pensionable days service for the fee-paid judges, and a decrease in the long-term discount rate.

Overall the JPS has underspent against the Supplementary Estimate by £75m. This is mainly because the accounts do not include a provision for the "McCloud" case. The latter relates to litigation in which a number of judges are claiming that the transitional protection arrangements relating to the 2015 Scheme are discriminatory. The Estimate allowed for £230m to cover an increase in the provision including any impact from the litigation, however in these 2016-17 accounts the case is being treated as a contingent liability.

The key figures of interest costs and current service costs (CSC), i.e. the increases in liability arising from service incurred in the year, are supplied by the Government Actuary's Department (GAD). In the case of both these costs, a more prudent approach is adopted for estimates since the accounts would be qualified if the estimate is breached.

Interest costs of £111m for 2016-17 are unchanged from the prior year. The interest cost is calculated by applying the gross discount rate to the liability. The gross discount rate has slightly increased from 3.55% at 31 March 2015 to 3.60% at 31 March 2016. This should prompt a small increase in interest costs but this was offset by a favourable movement in the liability arising from an actuarial gain of £180m in 2015-16. The interest charge is slightly below the Supplementary Estimate of £113.4m.

The CSC is primarily driven by applying the cost of pension earned by active members over the year to the annual payroll figure. CSC has decreased very slightly from £150m in 2015-16 to £147m in 2016-17. This was due to an increase in the net discount rate from 1.3% at 31 March 2016 to 1.37% at 31 March 2017. The outturn was broadly in line with the supplementary estimate figure of £149.7m, given the more prudent approach adopted for the estimates.

Overall the Scheme has recorded an actuarial loss of £549m for 2016-17. This includes a loss of £573m from the significant reduction in net discount rates which is offset by a gain of £24m attributed to the April 2017 pension increase being lower than assumed (£21m) and the impact of updated membership data (£3m).

Events after the reporting period

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

Accounting Officer Confirmation

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

Information for Members

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

Judicial Pension Board

Independent Chair	Jill Youds
Independent Member	Susan Andrews
Independent Member	Ellen Kelleher
Judicial Member	His Honour Judge David Cooke
Judicial Member	The Honourable Mr Justice Nicholas Green
Judicial Member	Employment Judge Elizabeth Heap
Judicial Member	His Honour Judge Geoffrey Miller QC
Employer Representative	Jason Latham, Deputy Director, Tribunals, HM Courts and Tribunals Service
Employer Representative	Jan Marshall, Deputy Director, Civil Law
Employer Representative	Caroline Patterson, Deputy Director, Corporate Finance
Employer Representative	Sarah Wallace, Deputy Director, Finance, HM Courts and Tribunal Service
Contract Manager and Head of Judicial P & P	David Collins
Board Secretary	Crystal Gilmour

Judicial Pension Scheme Finance Committee

Chair	Caroline Patterson
Corporate Finance	Audrey Fullerton/Sean McMullan
Contract Manager and Head of Judicial P & P	David Collins
HMCTS Finance	Sarah Wallace
MoJ Estimates Manager	David Eddleston
Scheme Accountant	Adrian Matthews
Adviser to the Committee	Cheyne Mitchell
Adviser to the Committee	Duncan Short
Secretary to the Committee	Jane Storrar

Managers

Accounting Officer:

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

JPS Manager (delegated authority)

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

Scheme Contract Manager and Head of Judicial Pay & Pensions:

Mr David Collins, Judicial Policy, Pay and Pensions,

Pension Administrators

PS Administration Limited
11 Strand, London WC2N 5HR.

Advisers

Scheme Actuary:

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

Bankers:

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

Providers of external Additional Voluntary Contributions:

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

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

Auditors

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

Appointing or Administering Bodies

As at 31 March 2017 the following bodies participated in the JPS:

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

Further Information

Any enquiries about the JPS should be addressed to:

Judicial Pensions Scheme,
Judicial Pay and Pensions
102 Petty France
London SW1H 9AJ.

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

www.official-documents.gov.uk/menu/browseDocuments.htm

Richard Heaton
Accounting Officer

Date: 7 July 2017

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 2016-17 Resource Accounts of the Judicial Pension Schemes ('the JPS' or 'the schemes').

The JPS is a defined benefit pension scheme, the rules of which are set out in the Judicial Pensions Act 1981 (the 1981 Scheme), the Judicial Pensions and Retirement Act 1993 (the 1993 Scheme), the Judicial Pensions Regulations 2015 (NJPS 2015) and subsequent amendments. The scheme is wholly unfunded. I am not aware of any informal practices operated within the scheme which lead to a constructive obligation (under IAS 19 constructive obligations should be included in the measurement of the actuarial liability).

The statement is based on an assessment of the liabilities as at 31 March 2016, with an approximate updating to 31 March 2017 to reflect known changes.

Membership data

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

Table A – Active members

	31 March 2016 membership data	2016-17 accounts
Number	Total salaries (pa) (£ million)	Total salaries implied by receipts (£ million)
3,838	287.2	295

Table B – Deferred members

	31 March 2016 membership data
Number	Total deferred pension (pa) (£ million)
38	0.7

Table C – Pensions in payment

	31 March 2016 membership data	2016-17 accounts
Number	Total pension (pa) (£ million)	Total pension (pa) (£ million)
2,186	106.2	110

Methodology

The present value of the liabilities has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the principal financial assumptions applying to the 2016-17 Resource Accounts. The contribution rate used to determine the accruing cost in 2016-17 was determined using the PUCM and the demographic and financial assumptions applicable at the start of the year, that is, those adopted for the 2015-16 Resource Accounts.

In accordance with Paragraph 70 of International Accounting Standard 19, the contribution rate for accruing costs has been calculated using the benefit formula approach. This approach attributes the cost of benefit accrual, throughout each members' active membership of the scheme, in line with how members' pensions are built up under the scheme regulations.

This statement takes into account the benefits normally provided under the scheme, including age retirement benefits, ill-health retirement benefits and benefits applicable following the death of the member. It does not include the cost of injury benefits (in excess of ill-health benefits). It does not include premature retirement and redundancy benefits in respect of current active members, although the assessment of liabilities includes pensions already in payment in respect of such cases. This report covers neither the Judicial Service Award nor fee-paid judges in the Fee-Paid Judicial Pension scheme established on 1 April 2017, in respect of both service before 1 April 2015 and protected or taper protected members (who have not joined the NJPS 2015) with service after 1 April 2015.

Principal financial assumptions

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

Table D – Principal financial assumptions

Assumption	31 March 2017	31 March 2016
Rate of return (discount rate)	2.80%	3.60%
Rate of earnings increases*	4.55%	4.20%
Rate of future pension increases	2.55%	2.20%
Rate of return in excess of:		
Pension increases (CPI)	0.24%	1.37%
Earnings increases	(1.70)%	(0.60)%
Expected return on assets:	n/a	n/a

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

The pension increase assumptions up to and including 31 March 2017 are based on the Consumer Price Index (CPI) expectation of inflation.

Demographic assumptions

Table E summarises the demographic assumptions adopted to prepare this statement, which were derived from the specific experience of the scheme membership. The table refers to the standard mortality tables known as the 'S1 tables' with the percentage adjustments to those tables derived from scheme experience.

Table E – Post-retirement mortality assumptions

Normal health	
Males	80% of S1NMA mortality
Females	85% of S1NFA mortality
Current ill-health pensioners	
Males	80% of S1IMA mortality
Females	85% of S1IFA mortality
Future ill-health pensioners	
Males	N/A
Females	N/A
Partners	
Males	80% of S1NMA mortality
Females	85% of S1NFA mortality

These assumptions are the same as those adopted for the 2015-16 Resource Accounts. Mortality improvements are in accordance with those incorporated in the 2014-based principal population projections for the United Kingdom. This assumption is in line with the latest ONS projections.

Liabilities

Table F summarises the assessed value as at 31 March 2017 of benefits accrued under the scheme prior to this date based on the data, methodology and assumptions described in paragraphs 4 to 10. The corresponding figures for the previous four year ends are also included in the table.

Table F – Statement of Financial Position

£ million

	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013
Total market value of assets	nil	nil	nil	nil	nil
Value of liabilities	3,764	3,082	3,122	2,923	2,497
Surplus/(Deficit)	(3,764)	(3,082)	(3,122)	(2,923)	(2,497)
of which recoverable by employers	n/a	n/a	n/a	n/a	n/a

Accruing costs

The cost of benefits accrued in the year ended 31 March 2017 (the Current Service Cost) is based on an average standard contribution rate of 49.7%. Table G shows the standard contribution rates used to determine the Current Service Cost for 2016-17. For 2015-16 the Current Service cost was based on a standard contribution rate of 53%.

Table G – Contribution rate

	Service cost
	(%)
Pre-2015 Schemes	55.4
NJPS salary-paid	42.5
NJPS fee-paid	39.4

For the avoidance of doubt, the actual rate of contributions payable by employers, is not the same as the employers' share of the standard contribution rate as above. This is because the actual employer contribution rate was determined as part of a funding valuation using different assumptions. The key difference between the assumptions used for funding valuations and Resource Accounts is the discount rate. The discount rate for Resource Accounts is set each year by HM Treasury to reflect the requirements of the accounting standard IAS 19.

The pensionable payroll for the financial year 2016-17 was £295m (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2016-17 is assessed to be £147million.

There have been no past service costs in the year 2016-17.

I am not aware of any events that have led to a material settlement or curtailment gain over 2016-17.

Sensitivity analysis

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty I have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2017 of changes to the most significant actuarial assumptions.

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

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

Table H shows the indicative effects on the total liability as at 31 March 2017 of changes to these assumptions (rounded to the nearest ½%).

Table H - Sensitivity to significant assumptions

Change in assumption *		Approximate effect on total liability	
Financial assumptions			
(i)	discount rate: +½% a year	-7%	-£260 million
(ii)	(long-term) earnings increase: +½% a year	+1%	+£40 million
(iii)	pension increases: +½% a year	+6½%	+£240 million
Demographic assumptions			
(iv)	additional 1 year increase in life expectancy at retirement	+3½%	+£130 million
Age retirement			
(v)	active members retiring in normal health (on average) 1 year later ⁺	- 2½%	-£90 million

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

+Active members accruing benefits on final salary

Government Actuary's Department

21 June 2017

STATEMENT OF THE ACCOUNTING OFFICER'S RESPONSIBILITIES

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

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the JPS and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

The financial statements are required to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities that govern them. In addition, the financial statements must be prepared so as to ensure that the contributions payable to the JPS during the year have been paid in accordance with the JPS rules and the recommendations of the actuary.

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

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

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

Governance Statement

Scope of Responsibility

As the Permanent Secretary of the MoJ, I am the Accounting Officer for the Judicial Pensions Scheme (JPS).

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

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

The Lord Chancellor delegated responsibility for the administrative and operational activities of the JPS to the Director of Finance and Planning (now MoJ Group Finance Director), who manages the Judicial Pay and Pensions (JP&P) Team under the authority of the Chief Financial Officer.

The purpose of the Governance Arrangements

The governance arrangements are designed to ensure that scheme outcomes are delivered and associated risk is managed to a reasonable level and in line with the rules of the scheme. Overall the governance is intended to ensure agreed policies and processes comply with requirements. The governance arrangements are designed to provide reasonable and not absolute assurance of effectiveness. It draws on an ongoing process designed to:-

- Identify and prioritise the risks to the achievement of JPS policies, aims and objectives,
- Evaluate the likelihood of those risks being realised and the impact should they be realised, and
- Manage them efficiently, effectively and economically.

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

The governance arrangements were in place for the JPS throughout the year ended 31 March 2017 and continued to the date of approval of the annual accounts in accordance with HM Treasury guidance.

Governance Framework

On 1 April 2015 the Judicial Pensions Regulations 2015 (JPR15) came into effect. The Lord Chancellor has been appointed as the "Responsible Authority" for the schemes, and as such, may make scheme regulations. In addition to this, the Lord Chancellor has also been appointed as the Scheme Manager, and is responsible for the management and administration of the scheme. The Lord Chancellor delegated this responsibility to the MoJ

Group Finance Director from 1 April 2016.

The MoJ Group Finance Director is supported in this role by the Head of Judicial Pay and Pensions.

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

- Judicial Pensions Board (JPB)
- Judicial Pension Scheme Finance Committee (JPSFC)
- Judicial Pension Scheme Advisory Board (JPSAB)
- Judicial Pension Administration Committee (JPBAC)

Each of these are described below.

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

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

Internal audit and assurance are provided by the Government Internal Audit Agency (GIIA).

Judicial Pension Board (JPB)

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

Membership of the JPB includes the Independent Chair, two independent non-executive board members, four employer members from the MoJ the Scottish Government and the Department of Justice (Northern Ireland) and four judicial representatives.

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

The JPB has oversight of a range of areas including:

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

- Providing recommendations to the Scheme Manager in respect of the exercising of any discretionary decisions under the JPR15.

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

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

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

During 2016-17 the JPB raised a number of issues with regards to the arrangements relating to the administration of the scheme, including operational processes such as the production of the annual benefit statements. It was agreed that a sub-committee of the JPB known as the Judicial Pension Board Administration Committee (JPBAC) would be established to oversee Scheme Administration and review these issues in more detail. The JPBAC met for the first time on 10th November and continue to meet on a regular basis.

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

The Judicial Pension Scheme Finance Committee (JPSFC)

The JPSFC was established in November 2015 and is responsible for the financial governance of the JPS. The Committee is chaired by Deputy Director of Financial Reporting and Control. The Committee is supported by two advisors and six members from the MoJ.

The role and responsibilities of the Committee includes providing:

- Assurance to the Scheme Manager and the Permanent Secretary and Accounting Officer by providing oversight of the financial functions and internal controls of the JPS and approval of this Governance Statement;
- A formal review and approval forum for key financial activities including the Scheme Estimate and oversight of the budget for scheme administration;
- Oversight of the financial impact and latest position of the Fee-Paid and other relevant litigation upon the Scheme Accounts and Estimates;
- Advice and guidance to the JPB as required.
- Managing financial risk by using the Risk Register to challenge the reported impact likelihood of each risk and the controls to mitigate these risks.

- Annual review of the Terms of Reference in line with good practice and monitoring and manging action points from prior meetings.
- Escalation of significant issues to the MoJ Departmental Board and the Executive Committee of the Board.

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

The Judicial Pension Scheme Advisory Board (JPSAB)

The JPSAB was established under the JPR 2015. This Board's role is to advise the Lord Chancellor on the desirability of making changes to the scheme. It meets at the request of the Lord Chancellor. The JPSAB met in February and March 2015 to agree its Terms of Reference. Further meetings were not required during 2016-17 (check).

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

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

The Judicial Pension Board Administration Committee (JPBAC)

The JPBAC is a sub-committee of the JPB. It meets regularly to discuss with representatives from PSAL to discuss administration issue in detail.

JPB and JPSFC Meetings

The table below shows the attendance at each meeting from 1 April 2016 to 31 March 2017.

Members	JPB	JPSAB	JPBAC	JPSFC
Jill Youds, Independent Chair JPB	4 of 4	-	4 of 4	-
Susan Andrews, Independent Member	4 of 4	-	3 of 4	-
Ellen Kelleher, Independent Member	4 of 4	-	4 of 4	-
His Honour Judge David Cooke, Judicial Member	4 of 4	-	-	-
The Honourable Mr Justice Nicholas Green, Judicial Member	4 of 4	-	-	-
Employment Judge Elizabeth Heap, Judicial Member	4 of 4	-	-	-
His Honour Judge Geoffrey Miller QC, Judicial Member	4 of 4	-	-	-
Jason Latham, Employer Member	4 of 4	-	-	-
Jan Marshall, Employer Member		-	-	-

Caroline Patterson, Chair JPSFC & member of JPB	4 of 4	-	-	6 of 6
Sarah Wallace, Employer Member of JPB & member of JPSFC	3 of 4	-	-	2 of 6
David Collins, JPS Contract Manager	4 of 4	-	4 of 4	6 of 6
Audrey Fullerton, Corporate Finance	-	-	-	5 of 6
Sean McMullan, Corporate Finance (from 22/11/16)	-	-	-	3 of 3
David Eddleston, MoJ Estimates Manager	-	-	-	4 of 6
Adrian Matthews, Scheme Accountant	-	-	-	6 of 6
Cheyne Mitchell, Internal Audit, Adviser to the JPSFC (note: Cheyne was represented by Steve Barnes at 1 meeting)	-	-	-	5 of 6
Duncan Short, Adviser to the JPSFC	-	-	-	6 of 6

Pension and payroll administration

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

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

Risk Assessment and Management

The Department's Risk Management Strategy, Policy and Framework document, approved and endorsed by ExCo was initially published in June 2015. The document is published on the MoJ's intranet.

This, in conjunction with the guidance on the Quarterly Risk Reporting process, sets out the department's attitude to risk in the achievement of its policies and objectives, and provides guidance on the process of identifying, assessing and managing risk. In June 2015 the MoJ published a Risk Management Core Policy together with a Risk Management Guide.

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

Implementation of the Fee-Paid Judicial Pension Scheme 2017

The Fee-Paid Judicial Pension Scheme (FPJPS) was implemented on 1 April 2017. As part of the implementation process, arrangements were made to pay arrears of pension benefits to members who retired prior to 1 April 2017. These payments were calculated by PSAL and reviewed by the Government Actuary's Department (GAD) as part of the governance

process. The payments were adjusted to take account of the pension contributions due from the retired members.

PSAL have also written to the active members of the FPJPS as part of the implementation process.

The JPB, JPSFC and the FPJPS Project Board have been kept informed of the implementation plans throughout the process.

Significant Compliance Issues

During 2016-17, there were no ministerial directions given and no significant lapses of data security.

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

The Internal Audit work for 2016-17 focussed upon PSAL and their review of processes. The audit recommendations were presented to the PSAL Board, who accepted the recommendations. PSAL are arranging for the recommendations to be implemented and these are subject to monitoring and review by Internal Audit.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the governance arrangements. My review of these arrangements is informed by the work of the Director, Deputy Director and administrators of the JPS, who have responsibility for the development and maintenance of the governance framework. In addition, recommendations made by both external and internal auditors are taken into consideration.

Conclusion

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

This statement applies to the JPS. The Governance Statement for the Ministry of Justice as a whole will be available as part of the Department's Annual Report and Accounts for 2016-17, which are published on the MoJ's website.

Richard Heaton
Accounting Officer

Dated: 7 July 2017

PARLIAMENTARY ACCOUNTABILITY

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

Statement of Parliamentary Supply (Audited) Summary of Resource and Capital Outturn 2016-17

	Note	2016-17 Estimate			2016-17 Outturn			2016-17	2015-16
		Voted £'000	Non- Voted £'000	TOTAL £'000	Voted £'000	Non-Voted £'000	TOTAL £'000	Voted outturn compared with Estimate: saving/ (excess) £'000	TOTAL £'000
Departmental Expenditure Limit									
- Resource		-	-	-	-	-	-	-	
- Capital		-	-	-	-	-	-	-	
Annually Managed Expenditure	SoPS 1	284,417	82,335	366,752	209,121	80,850	289,971	75,296	224,969
- Resource									
- Capital		-	-	-	-	-	-	-	-
Total Budget		284,417	82,335	366,752	209,121	80,850	289,971	75,296	224,696
Non-Budget									
- Resource									
Total		284,417	82,335	366,752	209,121	80,850	289,971	75,296	224,969
Total Resource		284,417	82,335	366,752	209,121	80,850	289,971	75,296	224,969
Total Capital		-	-	-	-	-	-	-	-
Total		284,417	82,335	366,752	209,121	80,850	289,971	75,296	224,969

Net cash requirement 2016-17

	Note	2016-17 Estimate £'000	2016-17 Outturn £'000	2016-17 Outturn compared with Estimate: saving/ (excess) £'000	2015-16 Outturn £'000
Net cash requirement	SoPS 2	(60,212)	(77,529)	17,317	(69,982)

Administration costs 2016-17

	Note	2016-17 Estimate £'000	2016-17 Outturn £'000	2015-16 Outturn £'000
Administration costs		-	-	-

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

The notes on pages 27 to 28 form part of these accounts.

Notes to the Statement of Parliamentary Supply for the year ended 31 March 2017 (Audited)

SoPS 1 Net outturn

2016-17												2015-16 Outturn
Outturn							Estimate				Total	
Administration			Programme				Total	Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements		Total
Gross	Income	Net	Gross	Income	Net	Net Total					Net total compared to Estimate	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Judicial Pension Scheme - Annually Managed Expenditure:												
Voted	-	-	-	343,800	(134,679)	209,121	209,121	284,417	75,296	75,296	134,969	
Non-voted	-	-	-	80,850	-	80,850	80,850	82,335	1,485	1,485	90,000	
Total	-	-	-	424,650	(134,679)	289,971	289,971	366,752	76,781	76,781	224,969	

The non-voted expenditure is for the current service costs of higher judiciary judges, paid directly from the Consolidated Fund and not from Parliamentary Supply.

Overall the JPS has underspent against the Supplementary Estimate by £75m (this measure includes voted expenditure only). This is mainly because the accounts do not include a provision for the "McCloud" case. The latter relates to litigation in which a number of judges are claiming that the transitional protection arrangements relating to the 2015 Scheme are discriminatory. The Estimate allowed for £230m to cover an increase in the provision including any impact from the litigation, however in these 2016-17 accounts the case is being treated as a contingent liability.

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

	2016-17	2016-17	2016-17	2015-16
	Estimate	Outturn	Net Total Outturn compared with estimate: saving/ (excess)	
Note	£'000	£'000	£'000	£'000
Resource outturn	366,752	289,971	76,781	224,969
Accruals adjustments				
Non-cash items – Current Service and Interest costs	(263,100)	(258,000)	(5,100)	(261,000)
Non-cash items – Contributions receivable directly by the Consolidated Fund	-	(284)	284	(256)
Non cash items – Income attributable to Judiciary at the Corporation of London	-	144	(144)	144
Changes in working capital other than cash				
Increase/(decrease) in receivables	-	224	(224)	2,516
(Increase)/decrease in payables	-	665	(665)	(1,292)
Enhancements	-	(6,020)	6,020	(1,651)
Movements in provisions				
Fee-paid judges provision	12(a) (230,000)	(159,893)	(70,107)	(87,853)
Use of pension provision	66,136	55,664	10,472	54,441
Net cash requirement	(60,212)	(77,529)	17,317	(69,982)

There is a negative cash requirement because contributions collected (in relation to all judiciary) exceed the amount of pension benefits payable from the Scheme in the year (which relate to lower judiciary only).

SoPS 3. Analysis of Income payable to the Consolidated Fund

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

	2016-17 Outturn		2015-16 Outturn	
	Income £'000	<i>Receipts</i> £'000	Income £'000	<i>Receipts</i> £'000
Excess cash receipts surrenderable to the Consolidated Fund	77,529	<i>77,529</i>	69,982	<i>69,982</i>
Total income payable to the Consolidated Fund	77,529	<i>77,529</i>	69,982	<i>69,982</i>

Parliamentary Accountability Disclosures (Audited)

Losses and special payments

There are no losses or special payments.

Remote contingent liabilities

There are no material remote contingent liabilities.

Richard Heaton
Accounting Officer

Dated: 7 July 2017

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 2017 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Losses and Special Payments and Remote Contingent Liabilities disclosures that are described in those reports and disclosures as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2017 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 2017 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 parts of the Losses and Special Payments and Remote Contingent Liabilities disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Report of the Managers and the Report of the Actuary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

Date 11 July 2017

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

FINANCIAL STATEMENTS

Statement of Comprehensive Net Expenditure for the Year Ended 31 March 2017

	Note	2016-17		2015-16	
		£'000	£'000	£'000	£'000
Income					
Contributions receivable	3	(128,462)		(123,884)	
Other pension income	4	(737)		(718)	
Transfers in		(5,480)		(1,651)	
			(134,679)		(126,253)
Expenditure					
Service cost	5	147,000		150,000	
Pension financing cost	6	111,000		111,000	
Fee-paid judges provision	12a	159,893		87,853	
Enhancements		6,020		1,651	
Administration expenses	7	737		718	
			424,650		351,222
Net Expenditure			289,971		224,969
Other Comprehensive Net Expenditure					
Recognised gains and losses for the financial year:					
Other re-measurement	12g		549,000		(180,000)
Total Comprehensive Net Expenditure for the year ended 31 March 2017			838,971		44,969

The notes on pages 37 to 51 form part of these accounts

Statement of Financial Position as at 31 March 2017

		31 March 2017		31 March 2016	
Note	£'000	£'000	£'000	£'000	
Current Assets:					
Receivables	9	10,596		10,372	
Cash and cash equivalents	10	<u>25,358</u>		<u>19,030</u>	
Total current assets			35,954		29,402
Current Liabilities:					
Payables (within 12 months)	11	<u>(31,336)</u>		<u>(25,673)</u>	
Total current liabilities			<u>(31,336)</u>		<u>(25,673)</u>
Net current assets, excluding pension liability			4,618		3,729
Pension liability	12e		(3,764,557)		(3,082,144)
Provisions	12a		(738,127)		(578,234)
Net liabilities, including pension liability			<u>(4,498,066)</u>		<u>(3,656,649)</u>
Taxpayers' equity:					
General fund			(4,498,066)		(3,656,649)
			<u>(4,498,066)</u>		<u>(3,656,649)</u>

Richard Heaton
Accounting Officer

Date: 7 July 2017

The notes on pages 37 to 51 form part of these accounts

Statement of Changes in Taxpayers Equity for the Year Ended 31 March 2017

		2016-17	2015-16
	Note	£'000	£'000
Balance at 1 April		(3,656,649)	(3,610,181)
Consolidated Fund Standing Services:			
Pension payable by the Consolidated Fund		74,943	68,371
Ex-gratia payments due from the MoJ		-	-
Contributions payable/(receivable) directly by the Consolidated Fund		284	256
Income attributable to the Judiciary at the Corporation of London		(144)	(144)
CFERs payable to the Consolidated Fund		(77,529)	(69,982)
Comprehensive Net Expenditure for the year		(289,971)	(224,969)
Other re-measurement - gain/(loss)	12(g)	(549,000)	180,000
Balance at 31 March		(4,498,066)	(3,656,649)

The notes on pages 37 to 51 form part of these accounts

Statement of Cash Flows for the Year Ended 31 March 2017

	Note	2016-17 £'000	2015-16 £'000
Cash flows from operating activities:			
Net expenditure for the year	SoPS 1	(289,971)	(224,969)
Adjustments for non-cash transactions:			
Contributions payable/(receivable) by the Consolidated Fund		284	256
Income attributable to Judiciary at the Corporation of London		(144)	(144)
Movement in fee-paid judges provision	12a	159,893	87,853
Adjustment in respect of working capital		(889)	(1,224)
Increase in pension provision	5 & 6	258,000	261,000
Use of provisions		(55,664)	(54,441)
Enhancements		6,020	1,651
Net increase in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund		77,529	69,982
Payment of amounts due to the Consolidated Fund – current year		(52,487)	(50,952)
Payment of amounts due to the Consolidated Fund – prior year		(19,030)	(13,012)
Increase in cash held on behalf of the Consolidated Fund		316	-
Net decrease in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund		6,328	6,018
Cash and cash equivalents at the beginning of the year	10	19,030	13,012
Cash and cash equivalents at the end of the year	10	25,358	19,030

The notes on pages 37 to 51 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 2016-17 Government Financial Reporting Manual (FRoM), issued by HM Treasury. The accounting policies contained in the FRoM 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.

1.1 Judicial Pensions Scheme (JPS)

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

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

The financial statements of the Scheme show the financial position of the Judicial Pension Scheme at the year end and the income and expenditure during the year. The Statement of Financial Position shows the unfunded net liabilities of the Scheme; the Statement of Comprehensive Net Expenditure shows, amongst other things, factors contributing to the change in the net liability analysed between the pension cost, enhancements and transfers in, and the interest on the Scheme liability. Further information about the actuarial position of the Scheme is dealt with in the Report of the Actuary, and the Scheme financial statements should be read in conjunction with that Report.

The financial statements have been laid in accordance with the Government Resources and Accounts Act 2000, chapter 20, Section 6 (4).

1.2 Going Concern

The Statement of Financial Position as at 31 March 2017 shows a pension liability of £3,765m and a provision of £738m for fee-paid judges (2015-16: £3,082m with a provision of £578m 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 2017-18 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, being recognised as a reduction in contribution income for the year. Personal pension contributions (PPCs) from members were introduced from 1 April 2012. They are accounted for on an accruals basis.

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

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

2.1.2 Other pension income

The Ministry of Justice (MoJ) is the manager of the JPS. Within the 38.45% Accruing Superannuation Liability Charges (ASLCs) received from Appointing Bodies is a 0.25% administration fee recognised as other pension income in these accounts.

2.1.3 Transfers in and out

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

2.1.4 Current service cost

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

2.1.5 Interest on scheme liabilities

The interest cost is the increase during the period in the present value of the scheme liabilities because accrued members' benefits are one year closer to settlement and this is recognised in the Statement of Comprehensive Net Expenditure. The gross discount rate of 3.60% (2015-16 3.55%) 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 2016-17 is 0.24% per annum real (2015-16: 1.37%). The valuation takes account of the overnight change in the Scheme's liabilities as a result of the change in the discount rate to 0.24% real as at 31 March 2017. Such changes are recognised in the Statement of Comprehensive Net Expenditure for the year as advised by HM Treasury.

In the past full actuarial valuations by a professionally qualified actuary have been obtained at intervals not exceeding four years with interim valuations every two years. The last full valuation was carried out as at 31 March 2012 and the last interim valuation at 31 March 2014. The Government Actuary's Department have carried out a valuation at 31 March 2016 and, while this has not been completed, it has been sufficient to recalculate the scheme liability based on 31 March 2016 data in line with IAS 19 disclosure requirements.

2.1.7 Provision for fee-paid judges pension entitlements

Provisions represent liabilities of uncertain timing or amount and are recognised when the JPS has a present legal or constructive obligation, as a result of past events, for which it is

probable that an outflow of economic benefits will be required to settle the obligation, and for which a reliable estimate can be made for the amount of the obligation.

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

The provision for the fee-paid judicial office holders' pension entitlements is subject to a degree of uncertainty as they are calculated using assumptions, some of which are now subject to an application for leave to appeal to the Supreme Court. In addition, a level of uncertainty also stems from the pension liability actuarial assumptions adopted by GAD.

The provision for fee-paid judges' pension entitlements has been calculated on the same basis as the main liability.

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

2.1.8 Pension benefits payable

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

2.1.9 Pension payments to those retiring at their normal retirement age

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

2.1.10 Pension payments to and on account of leavers before their normal retirement age

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

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

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

2.1.12 Other re-measurement - gains/losses

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the Statement of Financial Position date are recognised in the Statement of Comprehensive Net Expenditure for the year. These gains and losses are based on the figures provided by the actuary and the related assumptions, which have been deemed appropriate by GAD and JPS Managers.

2.1.13 Administration fees

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

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

The JPS is authorised by HM Treasury to pay the MoJ 0.25% of the 38.45% Accrued Superannuation Liability Charges (ASLC) received. In 2016-17 this amounts to £737k (2015-16: £718k). 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

	2016-17 £'000	2015-16 £'000
Employers; appointing bodies:		
Accruing Superannuation Liability Charges (ASLCs)	112,683	109,761
Employees; Judicial Office-holders:		
Normal contributions: Pension Contributions	15,239	13,945
Purchase of Added Years: internal JPS AVC's only	540	178
	128,462	123,884

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

Contributions payable to the JPS in 2017-18 are expected to be £131m.

4. Other Pension Income

	2016-17 £'000	2015-16 £'000
Administration fees receivable from appointing bodies	737	718
	737	718

5. Service Cost

	2016-17	2015-16
	£'000	£'000
Current service cost: (see note 12e)		
Judiciary paid from the JPS Estimate and pension increases for all Judiciary	66,150	60,000
Judiciary paid from the Consolidated Fund (notional expenditure)	80,850	90,000
	<u>147,000</u>	<u>150,000</u>

The service cost is apportioned between Vote and non-Vote expenditure based on a percentage split provided by the Government Actuary's Department, representing the ratio of members across all schemes in the higher and lower judiciary. The 2016-17 pension cost has been allocated at 45% Vote and 55% non-Vote (2015-16: 40% Vote and 60% non-Vote).

6. Pension financing cost

	2016-17	2015-16
	£'000	£'000
Net interest on defined pension liability (see note 12e)	111,000	111,000
	<u>111,000</u>	<u>111,000</u>

7. Administration Expenses

	2016-17	2015-16
	£'000	£'000
Administration expenses paid to the MoJ	737	718
	<u>737</u>	<u>718</u>

8.1 Additional Voluntary Contributions to External Approved Providers

The JPS provides for members to make additional voluntary contributions (AVCs) to increase their pension entitlements. The Judicial Added Voluntary Contributions Scheme (JAVCS) is available to members of the JUPRA and JPS 2015 schemes. Members may arrange to have agreed sums deducted from their salaries for onward payment to the approved providers, The Equitable Life Assurance Company and Prudential plc. The Managers of the JPS have responsibility only for the onward payment, by Appointing Bodies, of members' contributions to the provider. These AVCs are not reflected in the primary financial statements. Members of the JPS participating in this arrangement receive an annual statement from the provider confirming the amounts held to their account and the movements in the year.

The aggregate amounts of AVC investments are as follows:

	Equitable Life		Prudential	
	2016-17	2015-16	2016-17	2015-16
	£'000	£'000	£'000	£'000
Movements in the year				
Balance at 1 March / 1 April	307	303	3,409	3,123
New investments	2	10	398	437
Leavers, transfers & withdrawals	(276)		-	
Sales of investments to provide pension benefits	-	-	(247)	(154)
Changes in market value of investments	37	(6)	553	3
Balance at 28 February / 31 March	70	307	4,113	3,409
Contributions received to provide life cover	-	-	-	-

Note: The figures from Equitable Life cover the 12 month period from 01/03/16 to 28/02/17 whereas the figures from Prudential cover the 12 month period from 01/04/16 to 31/03/17.

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 Benefits Scheme (JABS) (for 1981 Act members only). JABS enable members to increase the level of benefits payable from their main Judicial Pension Scheme.
- The Judicial Added Years Scheme (JAYS) (for 1993 Act members only). JAYS enable members of the 1993 Scheme to increase the length of service and the benefits at retirement.
- The Judicial Added Surviving Spouse’s Pension Scheme (JASSPS) (for 1993 Act members only). JASSPS enable members to make contributions that will increase only the level of the contingent surviving spouse’s or civil partner’s pension.
- All three of these AVC facilities were closed to new subscribers with effect from 6 April 2006.

Additional Voluntary Contributions - JPS 2015

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

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

least 65.

The Pension Partnership Account

This is a tax-registered stakeholder pension scheme for members of JPS 2015. Members can opt to join this scheme instead of joining the JPS 2015. The Pension Partnership Account (PPA) is administered by Prudential. During 2016-17 £71,274.67 in contributions were paid to Prudential by members of the scheme.

9. Receivables – contributions due in respect of pensions

9 (a) Analysis by type

Amounts falling due within one year

	2016-17	2015-16
	£'000	£'000
Pension contributions due from appointing bodies:		
Accruing Superannuation Liability Charges (ASLCs), including administration fees	9,189	8,921
Pension contributions due from Judicial Office-holders:		
Normal contributions -Personal Pension Contributions (PPCs)	1,336	1,234
Purchase of Added Years: internal JPS AVC's only	27	23
Other debtors	-	149
Ex-gratia payments due from MoJ	44	45
	10,596	10,372

10. Cash and cash equivalents

	2016-17	2015-16
	£'000	£'000
Balances as at 1 April	19,030	13,012
Net change in cash balances	6,328	6,018
Balance at 31 March	25,358	19,030
The following balances at 31 March were held at:		
Government Banking Service	25,358	19,030
	25,358	19,030

11. Payables – in respect of pensions

11 (a) Analysis by type

	2016-17	2015-16
	£'000	£'000
Amounts falling due within one year		
Death in service and early retirement payments	690	831
Other lump sums due	-	1,538
Tax due to HM Revenue and Customs	4,506	3,441
Other creditors	615	741
Administration charges due to Ministry of Justice	167	92
Total payables excluding CF creditor	<u>5,978</u>	<u>6,643</u>
Extra receipts due to the Consolidated Fund	25,042	19,030
Non-JPS cash held on behalf of the Consolidated Fund	316	-
	<u>31,336</u>	<u>25,673</u>

12. Provisions for pension liability

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

The provision for fee-paid pension entitlements represents a liability relating to fee-paid judicial office holders who have claimed, or are eligible to claim, retrospective pension rights. On 6 February 2013 the UK Supreme Court ruled that a recorder (a fee-paid judicial office holder) is entitled to a pension on terms equivalent to those applicable to a salaried circuit judge. The matter was referred back to the Employment Tribunal for remedy and there have been several preliminary hearings to date about fee-paid judicial office holders. In August 2013 the Employment Tribunal ruled that Mr O'Brien (the lead case) should receive pension benefits from his date of appointment. This was overturned by the Employment Appeal Tribunal (4 March 2014) and confirmed by the Court of Appeal (9 November 2015). The current ruling is that pension benefits are due from 7 April 2000 when the Part-time Workers Regulations 2000 should have been transposed. An appeal against this ruling was heard in the Supreme Court in March 2017. We are awaiting the court's reserved judgment which is expected in the next few months.

In January 2014 the Employment Tribunal ruled in the Miller case on two time-point issues in favour of the MoJ. One time-point issue – there are no generic grounds in fee-paid pension cases for the exercise of discretion to extend time - has been upheld by the Employment Appeal Tribunal. The second issue – the operation of the 3 month time limit – was upheld by the Court of Appeal in November 2015 and has been appealed to the Supreme Court in the same proceedings as O'Brien; judgment is expected in the next few months.

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 did not have the authority to make payments to fee-paid judicial officials until the new Fee-Paid Judicial Pension Scheme commenced, the MoJ began the process to settle part of the claims included in these provisions whereby the MoJ has made payments to fee-paid judicial officials that retired before the new Fee-Paid Judicial Pension scheme commenced on 1 April 2017. These payments have been shown in the MoJ accounts and excluded from the provision within the JPS. Payment of all future pension benefits from 1 April 2017 will fall to the JPS.

The provision has been increased from £578,234k in 2015-16 to £738,127k in 2016-17 due to an additional year's pensionable service undertaken by members still in post, the availability of more accurate information in respect of the number of pensionable days service for the fee-paid judges, and a decrease in the long-term discount rate.

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

	2016-17	2015-16
	£'000	£'000
Balances at 1 April	578,234	490,381
Provided in the year – fee-paid judges pension liability	159,893	87,853
Released in the year – fee-paid judges pension liability	-	-
Use of provisions	-	-
Balance at 31 March	738,127	578,234

12 (b) Assumptions underpinning the provision for pension liability

The Judicial Pension Scheme is an unfunded defined benefit scheme. The Government Actuary's Department undertook a full actuarial valuation as at 31 March 2012 with an interim valuation being carried out at 31 March 2014. The Government Actuary's Department are currently carrying out a full actuarial valuation at 31 March 2016. While this is due to be completed in 2018 sufficient additional data has been supplied by the MoJ to enable a recalculation of the scheme liability, based on 31 March 2016 data, in line with IAS 19 requirements. The appropriate membership data has been supplied to GAD and this data has been used to form the basis of this assessment. The Report of the Actuary, on pages 14 to 18 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 2017	At 31 March 2016	At 31 March 2015	At 31 March 2014	At 31 March 2013
Rate of increase in salaries	4.55%	4.2%	4.2%	4.5%	3.9%
Rate of increase in pensions in payment and deferred pensions	2.55%	2.2%	2.2%	2.5%	1.7%
Inflation assumption	2.55%	2.2%	2.2%	2.5%	1.7%
Nominal discount rate	2.80%	3.60%	3.55%	4.35%	4.1%
Discount rate net of price inflation	0.24%	1.37%	1.3%	1.8%	2.35%
Mortality rates at aged 60 (life expectancy in years)					
Current retirements					
Females	31.9	31.8	32.5	32.4	30.4
Males	30.4	30.2	30.5	30.4	28.5

Retirements in 15 years time					
Females	33.5	33.4	34.2	34.1	33.1
Males	32.0	31.9	32.3	32.1	31.2

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 2017	March 2016	March 2015
	£m	£m	£m
Liability relating to pensioners in payment	1,765	1,252	1,510
Liability relating to deferred pensioners	28	15	14
Liability relating to active members	1,972	1,815	1,598
Scheme liability at 31 March	3,765	3,082	3,122

The value of liabilities has been calculated as at 31 March 2017 by rolling forward the liability calculated as at 31 March 2016 to 31 March 2017 and updating assumptions. This approach is reasonable but introduces some degree of uncertainty. It should therefore be recognised that the results may differ from those that would emerge following an actuarial valuation based on full membership data as at 31 March 2017. This is the professional judgement of the actuary based on the information provided by the Scheme Administrator (see the Report of the Actuary pages 14-17).

The split in liabilities as at 31 March 2017 between Pensions in payment, Deferred members and Active members reflects the new membership data as at 31 March 2016.

The assessment of the liabilities is reliable to the extent that the assumptions are reasonable, which I consider them to be, and the data provided is accurate. The results of the assessment would change if different assumptions were adopted or if the data were found to be inaccurate.

Pension scheme liabilities accrue over employees' periods of service and are discharged over the period of retirement and, where applicable, the period for which a spouse, civil partner or dependants survive the pensioner. In valuing the scheme liability, the actuary must estimate the impact of several inherently uncertain variables far into the future. The variables include not only the key assumptions noted in the table above, but also assumptions about the changes that will occur in the future in the mortality rate, the age of retirement and the age from which a pension becomes payable. Membership numbers in the years between full actuarial valuations are assumed to be stable.

The value of the liability on the statement of financial position may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rates of inflation or increases in salaries, the value of the pension liability will increase or decrease. The Scheme Manager accepts that, as a consequence, the valuation provided by the actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in note 12(g). The note also discloses 'experience' gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

12 (d) Sensitivity analysis

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. The most significant assumptions are the discount rate, general earnings increases and pension increases (currently based on CPI). A key demographic assumption is pensioner mortality.

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

The table below shows the indicative effects on the total liability as at 31 March 2017 of changes to these assumptions (rounded to the nearest ½%).

Sensitivity to significant assumptions

Change in assumption *	Approximate effect on total liability	
Financial assumptions		
(i) discount rate: +½% a year	-7%	-£260 million
(ii) (long-term) earnings increase: +½% a year	+1%	+£40 million
(iii) pension increases: +½% a year	+6½%	+£240 million
Demographic assumptions		
(iv) additional 1 year increase in life expectancy at retirement	+3½%	+£130 million
Age retirement		
(v) active members retiring in normal health (on average) 1 year later ⁺	- 2½%	-£90 million

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

+Active members accruing benefits on final salary

12 (e) Analysis of movement in scheme liability

	Note	2016-17 £'000	2015-16 £'000
Scheme liability at 1 April		3,082,144	3,122,305
Current service cost	5	147,000	150,000
Pension financing cost	6	111,000	111,000
Enhancements		6,020	1,651
Pension benefits payable	12(f)	(130,607)	(122,812)
Other re-measurement - (gains)/losses	12(g)	549,000	(180,000)
Scheme liability at 31 March		3,764,557	3,082,144

During the years ended 31 March 2017 and 31 March 2016, employers' contributions represented 38.45% of pensionable pay. For members in the 1993 Scheme, contributions are taken from salary up to a level reflecting the former Inland Revenue earnings cap, while members of the 1981 Scheme pay contributions based on the whole salary.

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

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

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

The 2016-17 contribution rates are expected to remain the same in 2017-18.

12 (f) Analysis of benefits paid

	2016-17		2015-16	
	£'000	£'000	£'000	£'000
Members – Base pensions	26,411		23,865	
Members – Pensions increase	15,073		16,060	
Members – Lump sum on retirement	6,409		6,983	
Dependants – Base pensions	2,181		2,004	
Dependants – Pensions increase	4,794		4,894	
Dependants – Lump sum on death of members	796		635	
Pension benefits payable from Supply		55,664		54,441
Members – Base pensions	54,610		51,090	
Members – Lump sum on retirement	12,308		10,157	
Dependants – Base pensions	6,750		6,574	
Dependants – Lump sum on death of member	1,275		550	
Pension benefits payable from Consolidated Fund		74,943		68,371
Total pension benefits payable charged against provision		130,607		122,812

12 (g) Analysis of other re-measurements

	2016-17	2015-16
	£'000	£'000
Experience gains/(losses) arising on the scheme liabilities	24,000	32,000
Gains/(losses) resulting from changes in assumptions underlying the present value of scheme liabilities	(573,000)	148,000
Per Statement of Changes in Taxpayers Equity	(549,000)	180,000

12 (h) History of experience gains and losses

	2016-17	2015-16	2014-15	2013-14	2012-13
	£'000	£'000	£'000	£'000	£'000
<i>Experience gains/(losses) on scheme liabilities:</i>					
Amount	24,000	32,000	84,000	(78,000)	(24,000)
Percentage of the present value of the scheme liabilities at the balance sheet date	(0.64%)	(1.04%)	(2.69%)	2.67%	0.96%
<i>Total other re-measurement - gains/(losses):</i>					
Amount	(549,000)	180,000	(39,000)	(294,000)	(178,000)
Percentage of the present value of the scheme liabilities at the balance sheet date	14.58%	(5.84%)	1.25%	10.06%	7.13%

13. Financial Instruments

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

14. Contingent liabilities disclosed under IAS 37

The MoJ is involved in a legal action (the "McCloud" case) involving claimants who are seeking to strike out the age restrictions on the transitional protection arrangements in the new judicial pension scheme 2015, allowing them to remain in the JUPRA 1993 scheme rather than having to join the new 2015 scheme. Whilst an employment tribunal in March 2017 found in the claimants' favour, the case is being appealed and both the outcome of the litigation and the nature of any eventual remedy are considered insufficiently certain to provide for at this stage. It is estimated that the potential cost of extending transitional protection to all judges affected by this litigation would be an increase of £91m in the pension liability.

15. Related party transactions

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

In addition, the Scheme has had material transactions with other government departments, and other central government bodies whose employees are members of the Schemes.

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

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

16. Events after the reporting period

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

ISBN 978-1-4741-4523-7



9 781474 145237