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# **Judicial Pensions Scheme Annual Report and Accounts 2017-18**

**(For the year ended 31 March 2018)**

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# **Judicial Pensions Scheme Annual Report and Accounts 2017 - 18**

**(For the year ended 31 March 2018)**

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

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This is part of a series of departmental publications which, along with the Main Estimates 2017-18 and the document Public Expenditure: Statistical Analyses 2017, present the Government's outturn for 2017-18 and planned expenditure for 2018-19



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## **ACCOUNTABILITY REPORT**

## **CORPORATE GOVERNANCE**

## **REPORT OF THE MANAGERS**

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

The Judicial Pension Scheme (JPS) includes a number of judicial pension schemes. During 2017-18 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.

The Public Service Pensions Act 2013 closed the 1981 and 1993 schemes to further accrual from 1 April 2015, except where a judge was entitled to either full or tapering transitional protection. Full transitional protection allows judges who were in service on 1 April 2012 and aged 55 years or older at that date, to remain in their 1981 or 1993 scheme until retirement. Tapering protection applies to judges who were in public service on 1 April 2012 and aged between 51 and a half and 55 years, and allows them to remain in their 1981 or 1993 scheme for a time limited period before joining the 2015 scheme, up to a maximum of 82 months. All other judges who had no transitional protection, or who were first appointed to judicial office on or after 1 April 2015 became members of the 2015 scheme.

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 Judicial Pension Scheme 2015**

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 Fee-Paid Judicial Pension Scheme

The FPJPS (Fee-Paid Judicial Pension Scheme) was established under the Judicial Pensions (Fee-Paid Judges) Regulations 2017 which came into effect on 1 April 2017. The scheme also includes historic service where appropriate from 7<sup>th</sup> April 2000.

The FPJPS is a final salary scheme for eligible fee paid judges which mirrors the 1993 Scheme as far as possible. Eligibility was established following litigation.

Members of the FPJPS with full transitional protection remain in that scheme. Those with tapering protection will move to the JPS 2015 when this comes to an end.

### Main Features of the Schemes

Scheme	Membership	Accrual Rate
JUPRA (1981 & 1993 Schemes)	Eligible salaried Judges with full transitional protection or until end date for those with tapering protection	<b>1981:</b> Maximum accrual rate 20/40ths after 15 years or 40/80 <sup>th</sup> after 20 years depending upon office held <b>1993:</b> Maximum accrual rate 20/40ths after 20 years
FPJPS	Eligible Fee-Paid Judges with full transitional protection or until end date for those with tapering protection	Maximum accrual rate 20/40ths after 20 years
JPS2015	Eligible salaried & Fee-Paid Judges	2.32% of pensionable earnings each year. There is no limit to the number of pension years that can be accrued.

**Note:** JUPRA and FPJPS are final salary schemes which are not registered for tax purposes. JPS 2015 is a career average scheme and is a registered scheme for tax purposes.

Under the 1981 scheme 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 scheme provides a lump sum of 2.25 times the member's annual pension. The annual pension is calculated at 1/40<sup>th</sup> 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 scheme members in respect of salaries above the earnings cap. The 2017-18 earnings cap was £154,200 (2016-17: £150,600).

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

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

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

The scheme also provides for a surviving partner'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.



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The FPJPS is a non-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 2017 do not attract tax relief. Members receive a service award equal to the tax payable on the lump sum.

FPJPS 2017 is based on a "final pensionable earnings" model. The pension has an accrual rate of 2.5% (1/40<sup>th</sup>) 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 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.

### **The Pension Partnership Account**

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

All schemes within the JPS are defined benefit schemes.

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

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

Serving members of the 1981 and 1993 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.

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.

The Fee Paid Judicial Added Years Scheme (FPJAYS) and Fee-Paid Judicial Added Surviving Adult's Pension Scheme (JASAPS) is open to members who were in service before 6 April 2006. Members who wished to join these schemes were required to give notice in writing to the scheme administrators (XPS) within one year of the commencement

of the FPJPS on 1 April 2017.

FPJPS members may only make contributions to JASAPS during periods of service in qualifying judicial office during which they have a spouse or civil partner.

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.

Since 1 April 2017 members of the JPS 2015 and FPJPS 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 10 of these accounts.

## **Funding**

### **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.

### **Contributions into the JPS**

The cost of benefits accruing for each year of service is shared between the Appointing Bodies and the judicial office-holders. For the Appointing Bodies, their contribution rate was 38.45% of pensionable pay for 2017-18 (2016-17: 38.45%).

In 2017-18 pension contributions for members varied between 2.76% and 8.05%, 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 Pension 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, 1993 and 2017 schemes are adjusted to take account of tax relief not being applicable. This contribution incorporates the Widow(er) Pension Scheme (WPS) contribution and the Personal Pension Contribution (PPC).

## **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 2017 was 1% (2016: 0%).

## **Discount Rate**

Since 2006 the discount rate for pensions has been reviewed annually, using market conditions. On 11 December 2017 Her Majesty's Treasury announced that the discount rate for pension liabilities would change from 0.24% to 0.10% in real terms with effect from 31 March 2018.

## **Financial position**

At 31 March 2018 the JPS had long-term liabilities of £4,620m (31 March 2017 - £4,503m). In 2016-17 the pension liability comprised a pension liability (note 14c) of £3,765m for judges historically included in the JPS and a provision for fee-paid judges who have now acquired pension entitlements (note 14a) of £738m. The fee paid judges provision has become part of the pension liability from 1<sup>st</sup> April 2017.

Overall the JPS has underspent against the Supplementary Estimate by £154m. 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 £150m to cover any potential increase in the provision including any impact from the litigation, however in these 2017-18 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 calculated by the Government Actuary's Department (GAD). In the case of both these costs, a more prudent approach is adopted for estimates to avoid an excess Vote risk.

Interest costs of £127m for 2017-18 are higher than the previous year (£111m). The interest cost is calculated by applying the gross discount rate to the liability. The gross discount rate has decreased from 3.60% at 31 March 2016 to 2.80% at 31 March 2017. This should prompt a decrease in interest costs but this was offset by an unfavourable movement in the liability arising from an actuarial loss of £549m in 2016-17. The interest charge is slightly below the Supplementary Estimate of £129m which included a contingency of £2m.

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 increased from £147m in 2016-17 to £220m in 2017-18. This was due to a reduction in the net discount rate from 1.37% at 31 March 2016 to 0.24% at 31 March 2017. This significant increase occurred despite assumed lower mortality improvements and members being assumed to commute a higher proportion of their annual pension in exchange for a lump sum, both of which reduce the CSC. The outturn was below the supplementary estimate figure of £227m, given the more prudent approach adopted for the estimates.

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Overall the Scheme has recorded an actuarial gain of £85m for 2017-18. This includes a gain of £50m from changes in assumptions, particularly the change in projected assumptions in mortality, and a gain of £35m prompted by new membership data in respect of the 2017 scheme.

### **Administration**

The Lord Chancellor, as the Scheme Manager for the JPS has delegated responsibility for the administration of the JPS to the Group Finance Director.

Since 5 January 2015, administration of the judicial pensions, including pension payrolls, has been outsourced to Punter Southall Limited. Following a merger in January 2018 they are now known as Xafinity Punter Southall (XPS).

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

## **Key Developments in the year**

### **Implementation of the Fee-Paid Judicial Pension Scheme**

The FPJPS was implemented on 1 April 2017. Membership of the FPJPS is open to current and former fee-paid judicial office holders in England, Wales, Scotland and Northern Ireland who have been determined as eligible for pension rights that are no less favourable than those provided to salaried judges under the scheme established by the Judicial Pensions and Retirement Act 1993 (JUPRA). All those holding a fee paid office on 2nd December 2012 are automatically entitled to membership in respect of service in that office. Fee-paid office holders may also become members as a result of decisions of the Employment Tribunal (and subsequent appeals) or by consent.

The FPJPS is for eligible fee-paid judicial office holders with reckonable service from 7 April 2000 up to 31 March 2015. Transitional or tapering arrangements may apply in respect of service after 31 March 2015, where the fee-paid judicial office holder meets the relevant criteria for transitional protection in respect of their transfer to the Judicial Pension Scheme 2015 (JPS 2015), detailed in the section transitional provisions below. It is possible for eligible members to opt-out of the scheme and re-join at a future point in time providing they still meet the eligibility criteria.

There are two material appeals currently in progress:

- O'Brien/Miller v Ministry of Justice which may significantly affect the number of those entitled to membership of the scheme and entitlement to benefits for service before April 2000; and
- McCloud v Ministry of Justice may significantly affect the current provisions for transitional relief

## Fee paid judicial office holders' claims

Pension entitlements are provided to salaried judges under the Judicial Pension Scheme (JPS). In September 2005, a retired fee paid judicial office holder brought a claim in the Employment Tribunal seeking retrospective parity of treatment with salaried judicial office holders by claiming pension entitlements under the Part Time Workers Regulations.

The UK Supreme Court ruled on 6 February 2013 that the retired fee paid judicial office holder was entitled to a pension on terms equivalent to those applicable to salaried judicial office holder. This lead case set the precedent for other stayed cases, which in addition to pension entitlements, extended to non-pension entitlements relating to fee paid judicial office holders' employment terms and conditions. For example, holiday and sick pay, payments in respect of training and writing up fees, increases in daily fees and cancellation fees where bookings are not honoured. The Fee-Paid Judicial Pension Scheme was established in April 2017 to provide retrospective pensions for eligible fee paid judicial office holders.

There were outstanding appeals in relation to the scope of MoJ's liability arising from this decision. The UK Supreme Court in July 2017 decided to refer the question of pre-2000 liability to the Court of Justice of the European Union and there was a hearing on 13 June 2018. Once a judgment is delivered, the case will return to the UK Supreme Court for final judgment on the pre-2000 liability and the operation of time limits.

Should the Department lose the appeal, the combined cost of providing additional pension entitlement and providing it to additional claimants is estimated to be up to £750m.

## Transitional protection claims

In January 2018, the Employment Appeal Tribunal gave judgment on the lawfulness, on grounds of age discrimination, of transitional protection regulations in the JPS2015. The Court found that the transitional protection arrangements are unlawful. MoJ is appealing this decision. It is estimated that the potential cost of extending transitional protection to all judges affected by this litigation could be an increase of £150m in the current pension liability.

At this stage all these outstanding appeals are treated as contingent liabilities, due to the uncertainty over the outcome of the appeals.

## Membership Statistics

### Salaried Members in the JUPRA Schemes

A. Active membership	2017-18
Active members at 31 March 2017	1,292
New joiners	9
Active members who became True Deferred	(3)
Leavers entitled to deferred pension (became Active Salary Linked)	(58)
Active members who retired	(159)
Active members who died (includes 1 member who retired and died in the same scheme year)	(6)
Active members at 31 March 2018	1,075

Active Salary Linkage members at 31 March 2017	591
Active Salary Linkage members who became Active Salary Linked	58
Active Salary Linkage members who became True Deferred	(1)
Salary Linkage Deferred members who died	(0)
Salary Linkage Deferred members who retired	(2)
<b>Active Salary Linkage members at 31 March 2018</b>	<b>646</b>

<b>B. Deferred membership</b>	<b>2017-18</b>
True Deferred members at 31 March 2017	39
Active members who became True Deferred	4
New Deferred Pension Credit members	2
True deferred members who retired (inc. Pension Credit members)	(5)
<b>True Deferred members at 31 March 2018 (including Deferred Pension Credit members)</b>	<b>40</b>

<b>C. Pensioner membership</b>	<b>2017-18</b>
Pensioner members at 31 March 2017	2,308
New retirements	163
New spouse and children's pensions	46
Pension Credit members from deferred	3
Contingent Pensions ceased	(39)
Pensioner members who died	(69)
<b>Pensioner members at 31 March 2018</b>	<b>2,412</b>

Total membership at 31/03/2017	4,230
Total membership at 31/03/2018	4,173

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

<b>A. Active Membership</b>	<b>2017-18</b>
Active members at 31 March 2017	2,782
New joiners in period (including transfers from the JUPRA scheme)	259
Leavers entitled to deferred pension	(6)
Leavers entitled to a refund of contributions	(2)
Leavers opting out - no liability	(7)
Active members who retired	(4)
Active members who died	(0)
<b>Active members at 31 March 2018</b>	<b>3,022</b>

<b>B. Deferred Membership</b>	<b>2017-18</b>
Deferred members at 31 March 2017	1
Active Members leaving who became Deferred	6
New Deferred Pension Credit members	0
Deferred members who retired	0
Deferred members who died	0
<b>True Deferred members at 31 March 2018 (inc. Deferred Pension Credit members)</b>	<b>7</b>

C. Pensioner membership	2017-18
Pensioner members at 31 March 2017	9
New retirements	4
New spouse and children's pensions	1
Contingent Pension ceased	(1)
Members who took trivial commutation	0
Pensioner members who died	0
<b>Pensioner members at 31 March 2018</b>	<b>13</b>
Total membership at 31/03/2017	2,792
Total membership at 31/03/2018	3,042

### **Fee-Paid Members in FPJS – at 31 March 2018**

Active members at 31 March 2018	4,316
Deferred members at 31 March 2018	218
Pensioner members at 31 March 2018	1,080
<b>Total FPJS members at 31 March 2018</b>	<b>5,614</b>

Numbers relate to judicial offices rather than individuals (an individual may hold multiple judicial offices).

### **External Audit**

These financial statements have been audited by the Comptroller and Auditor General, whose opinion is expressed in the certificate and report of the Comptroller and Auditor General to the House of Commons. During the year no payment was made to the auditors for non-audit work (2016-17: £nil).

The notional cost for the audit of these financial statements in 2017-18 is £50,000 (2016-17: £41,500) and is accounted for in the MoJ Annual Report and Accounts 2017-18.

### **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.

## **Information for Members**

### **Managers**

#### *Accounting Officer:*

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

#### *JPS Manager (delegated authority)*

James McEwen, MoJ Group Finance Director, Ministry of Justice, 102 Petty France, London, SW1H 9AJ

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*Scheme Contract Manager and Head of Judicial Pay & Pensions:*  
Mr David Collins, Judicial Policy, Pay and Pensions, Ministry of Justice, 102 Petty France,  
London SW1H 9AJ.

*Pension Administrators*  
Xafinity Punter Southall  
11 Strand, London WC2N 5HR.

### **Advisers**

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

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

*Providers of external Additional Voluntary Contributions:*  
The Equitable Life Assurance Company - Walton Street, Aylesbury, Bucks HP21 7QW.

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

### **Auditors**

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

### **Appointing or Administering Bodies**

As at 31 March 2018 the following bodies participated in the JPS:

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



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## **Further Information**

Any enquiries about the JPS should be addressed to:

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

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

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

Richard Heaton  
Accounting Officer

Date: 17 July 2018

## REPORT OF THE ACTUARY

### Introduction

This statement has been prepared by the Government Actuary's Department (GAD) at the request of the Ministry of Justice (MoJ). It provides a summary of GAD's assessment of the scheme liability in respect of the Judicial Pension Schemes (JPS) as at 31 March 2018, and the movement in the scheme liability over the year 2017-18, prepared in accordance with the requirements of Chapter 9 of the 2017-18 version of the Financial Reporting Manual. This statement relates to all of:

- > the 1993 scheme (JUPRA) and earlier final salary schemes,
- > the 2015 scheme (the New Judicial Pension Scheme or NJPS), and
- > the 2017 scheme (Fee Paid Judicial Pension Scheme or FPJPS)

The JPS is a defined benefit scheme providing pension and lump sum benefits on retirement, death and resignation. The scheme is wholly unfunded. I am not aware of any informal practices operated within the scheme which lead to a constructive obligation.

The assessment has been carried out by calculating the liability as at 31 March 2016 (1993 scheme, 2015 scheme) and 31 March 2017 (31 March 2017) based on the data provided as at 31 March 2016 or 31 March 2017, and rolling forward that liability to 31 March 2018.

### Membership data

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

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

	<b>Number of members</b>	<b>Total pensionable pay* (pa) £ m</b>
<b>Males</b>	2,359	199
<b>Females</b>	1,471	87
<b>Total</b>	3,830	286

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

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

	<b>Number of members</b>	<b>Total deferred pension* (pa) £ m</b>
<b>Males</b>	18	0.4
<b>Females</b>	20	0.3
<b>Total</b>	38	0.7

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

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

	Number of members	Total pension* (pa) £ m
<b>Males</b>	1,446	83.0
<b>Females</b>	740	23.2
<b>Total</b>	2,186	106.2

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

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

	Number of members	Total pensionable pay* (pa) £ m
<b>Males</b>	3,042	45.4
<b>Females</b>	1,559	23.0
<b>Total</b>	4,601	68.4

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

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

	Number of members	Total pension* (pa) £ m
<b>Males</b>	762	5.3
<b>Females</b>	168	1.4
<b>Total</b>	930	6.7

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

## Methodology

The present value of the liabilities as at 31 March 2018 has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the demographic and financial assumptions applying as at 31 March 2018. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2018 was determined using the PUCM and the demographic and financial assumptions applicable at the start of the year, that is, those adopted as at 31 March 2017 in the 2016-17 accounts.

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

## Financial assumptions

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

**Table F – Principal financial assumptions**

Assumption	31 March 2018	31 March 2017
	pa	pa
Nominal discount rate	2.55%	2.80%
Rate of pension increases	2.45%	2.55%
Rate of general pay increases	3.95%	4.55% from 2020/21
Rate of short-term general pay increase	n/a	1.0% pa to 2019/20
Real discount rate in excess of:		
• Pension increases	0.10%	0.24%
• Long-term pay increases	(1.35%)	(1.67)%
Expected return on assets	n/a	n/a

The assessment of the liabilities allows for the known pension increases up to and including April 2018.

## Demographic assumptions

Table G summarises the mortality assumptions adopted to prepare this statement, which were derived from the specific experience of the scheme membership, and other relevant sources. The table refers to the standard mortality tables prepared by the Continuous Mortality Investigation (part of the Actuarial Profession) known as the 'S2 tables' with the percentage adjustments to those tables derived from scheme experience.

**Table G – Post-retirement mortality assumptions**

Baseline mortality	Standard table	Adjustment
Males	S2NMA_L	92%
Females	S2NFA	80%

These assumptions are the same as those recommended for the 31 March 2016 funding valuation of the scheme. Note that the accounts as at 31 March 2017 were based on the assumptions adopted for the 2012 valuation.

Mortality improvements are assumed to be in line with the latest 2016-based principal population projections for the United Kingdom published by the Office for National Statistics on 26 October 2017. Note that the accounts as at 31 March 2017 were based on the previous 2014-based projections.

## Liabilities

Table H summarises the assessed value as at 31 March 2018 of benefits accrued under the scheme prior to this date based on the data, methodology and assumptions described above. The corresponding figures for the previous year are shown for comparison (including the provision in respect of the 2017 scheme).

**Table H – Statement of Financial Position**

**£ million**

	<b>31 March 2018</b>	<b>31 March 2017</b>
<b>Total market value of assets</b>	nil	nil
<b>Value of liabilities</b>	4,620	4,503
<b>Surplus/(Deficit)</b>	(4,620)	(4,503)
<b>of which recoverable by employers</b>	n/a	n/a

### **Accruing costs**

The cost of benefits accrued in the year ended 31 March 2018 (the current service cost) is assessed as 64.4% of pensionable pay.

For the avoidance of doubt, the actual rate of contributions payable by employers and employees is not the same as the current service cost assessed for the accounts. Members contributed between 2.8% and 8.1% of pensionable pay, depending on the level of their pay. The actual employer contribution rate was determined as part of a funding valuation using different assumptions. Table I shows the employer and employee contributions during the year 2017-18 as a percentage of pensionable pay, and compares the total contributions with the current service cost assessed for the 2017-18 accounts.

**Table I – Contribution rate**

	<b>2017-18 % of pay</b>	<b>2016-17 % of pay</b>
Employer contributions (excluding expenses <sup>1</sup> )	38.2%	38.2%
Employee contributions (average)	5.3%	5.2%
<b>Total contributions</b>	<b>43.5%</b>	<b>43.4%</b>
<b>Current service cost (expressed as a % of pay)</b>	<b>64.4%</b>	<b>49.8%</b>

The key difference between the assumptions used for funding valuations and accounts is the discount rate, although price inflation and salary increases are also determined differently. The discount rate for accounts is set each year by HM Treasury to reflect the requirements of the accounting standard IAS 19.

The pensionable payroll for the financial year 2017-18 was £341 million (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2017-18 (at an average of 64.4% of pay) is assessed to be £220 million.

The current service cost of £220 million can be split as follows:

- Higher Judiciary: £103 million (47%)
- Lower Judiciary: £117 million (53%)

Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. I am not aware of any events that have led to a material past service cost over 2017-18.

<sup>1</sup> In addition, employers contributed 0.25% pay in respect of expenses.

I am not aware of any events that have led to a material settlement or curtailment gain or loss over 2017-18.

### 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 2018 of changes to the most significant actuarial assumptions.

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

Table J shows the indicative effects on the total liability as at 31 March 2018 of changes to these assumptions (rounded to the nearest ½%).

**Table J - Sensitivity to significant assumptions**

<b>Change in assumption</b>		<b>Approximate effect on total liability<sup>2</sup></b>	
<b>Financial assumptions</b>			
(i) discount rate*:	+½% a year	- 7½%	- £350 million
(ii) (long-term) earnings increase*:	+½% a year	+ 1%	+ £50 million
(iii) pension increases*:	+½% a year	+ 6½%	+ £300 million
<b>Demographic assumptions</b>			
(iv) additional 1 year increase in life expectancy at retirement		+ 3½%	+ £160 million

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

**Michael Scanlon FIA**  
**Deputy Chief Actuary**  
**Government Actuary's Department**  
**13 July 2018**

<sup>2</sup> Positive numbers indicate an increase in the liability; negative numbers indicate a decrease in the liability.

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

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

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

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

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

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

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

### **Statement on the disclosure of relevant audit information**

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

### **Accounting Officer Confirmation**

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

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## **GOVERNANCE STATEMENT**

### **Scope of Responsibility**

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

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

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

The Lord Chancellor is the "Responsible Authority" for the JPS, and as such, may make scheme regulations. In addition to this, the Lord Chancellor is the Scheme Manager, and is responsible for the management and administration of the JPS. The Lord Chancellor has delegated responsibility for the administrative and operational activities of the JPS to the MoJ Group Finance Director, who 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 JPS regulations. Overall the governance is intended to ensure agreed policies and processes comply with requirements. The governance arrangements are designed to provide reasonable and not absolute assurance of effectiveness, drawing upon an ongoing process designed to:

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

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

The governance arrangements were in place for the JPS throughout the year ended 31 March 2018 and continued to the date of approval of the Annual Report in accordance with HM Treasury guidance.

### **Governance Framework**

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

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



- Judicial Pension Scheme Finance Committee (JPSFC)

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 (GIAA).

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

The JPB assists the Scheme Manager in securing compliance with JPS regulations and other legislation relating to the governance and administration of the JPS, including the requirements of the Pensions Regulator and other regulatory bodies.

Membership of the JPB includes the Independent Chair, three independent non-executive board members, four employer members 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 JPS 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 (XPS Administration (previously 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;
- Considering appeals, complaints and providing the Scheme Manager with recommendations under the Internal Disputes Resolution Procedure;
- Providing recommendations to the Scheme Manager in respect of the exercising of any discretionary decisions under the Judicial Pension Regulations 2015.

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

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

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

The Northern Ireland Judicial Pension Board (NIJPB) has scope over devolved judiciary in Northern Ireland. Under administrative arrangement with the MoJ, devolved members of

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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 Board Administration Committee (JPBAC)**

The Judicial Pension Board Administration Committee (JPBAC) oversee and review arrangements relating to the administration of the JPS including operational processes. It meets regularly to discuss these issues in more detail with representatives from XPS. The JPBAC is supported by both the PWG and PGSG in relation to JPS operational matters.

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

The JPSAB advises the Lord Chancellor on the desirability of making changes to the JPS. It meets at the request of the Lord Chancellor and during the 2017-18 year met on the following dates:

- 10 October 2017
- 23 January 2018; and
- 18 April 2018

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>.

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

The JPSFC is responsible for the financial governance of the JPS and is chaired by Head of Financial Reporting and Control. JPSFC is supported by two advisors and six members from the MoJ.

The role and responsibilities of JPSFC includes providing:

- Assurance to the Scheme Manager, Permanent Secretary and Accounting Officer by providing oversight of the financial functions and internal controls of the JPS as well as approval of this Governance Statement;
- A formal review and approval forum for key financial activities including the Scheme Estimate and oversight of the budget for scheme administration;
- Oversight of the financial impact and latest position of relevant litigation upon the Scheme Accounts and Estimates;
- Managing financial risk by using the Risk Register to challenge the reported impact likelihood of each risk and the controls to mitigate these risks;
- Escalation of significant issues to the MoJ Departmental Board and the Executive Committee of the Board.

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

## JPB

The table below shows the attendance at each meeting from 1 April 2017 to 31 March 2018.

<b>Members</b>	<b>JPB</b>	<b>JPSAB</b>
Jill Youds, Independent Chair JPB	4 of 4	2 of 2
Russel Agius, Independent Member (from 10 October 2017)	2 of 2	2 of 2
Susan Andrews, Independent Member	4 of 4	2 of 2
Ellen Kelleher, Independent Member	4 of 4	2 of 2
His Honour Judge David Cooke, Judicial Member	3 of 4	2 of 2
The Honourable Mr Justice Nicholas Green, Judicial Member	1 of 4	2 of 2
Employment Judge Elizabeth Heap, Judicial Member	4 of 4	2 of 2
His Honour Judge Geoffrey Miller QC, Judicial Member	4 of 4	2 of 2
Jan Marshall, Employer Member	2 of 4	1 of 2
Jason Latham, Employer Member	2 of 4	2 of 2
Caroline Patterson, Employer Member	4 of 4	2 of 2
Sarah Wallace, Employer Member	2 of 4	2 of 2
David Collins, Head of Judicial Pay & Pensions	4 of 4	2 of 2

### **Pension and payroll administration**

Xafinity Punter Southall (XPS) is the Scheme Administrator for the JPS. XPS operate governance and internal control arrangements, which are independently audited on an annual basis. XPS was formed following a merger of Xafinity and Punter Southall Administration Limited (PSAL) in January 2018. XPS provide assurance to the JPB to support its governance and control arrangements.

The JP&P team manage and monitor the performance of XPS under the contract. A Technical Pension Specialist was recruited in August 2017. As part of the JP&P Senior Management Team she has been working with XPS to strengthen and develop the core contract management function and support the PWG and PGSG in providing strategic and operational leadership for the JPS.

### **Risk Assessment and Management**

The MoJ's Risk Management Strategy, Policy and Framework document sets out the MoJ's attitude to risk in the achievement of its objectives. This provides guidance on the process of identifying, assessing and managing risk. Risks to the JPS's objectives are identified,

analysed, assigned to individual owners, monitored and reported at JPSFC.

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 XPS and their internal review of controls and processes. The audit recommendations were presented to the XPS Board, who accepted the recommendations. A further internal audit review took place during the 2017-18 Scheme year; XPS is continuing to implement the audit recommendations, which are subject to monitoring and review by Judicial Pay and Pension and the JPB.

There were no ministerial directions given and no significant lapses of data security during 2017-18.

### **Implementation of the Fee-Paid Judicial Pension Scheme**

During 2017-2018 payments of pension benefits were made, including to members who retired prior to 1 April 2017. These payments were calculated by XPS and reviewed by the Government Actuary's Department (GAD) as part of the governance process.

The JPB have regularly reviewed the progress of implementing the FPJPS scheme.

### **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 Group Finance Director, Head of Financial Reporting & Control and XPS, 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 only. The Governance Statement for the MoJ as a whole will be available as part of the MoJ's Annual Report and Accounts for 2017-18, which are published on the MoJ's website.

Richard Heaton  
Accounting Officer

Date: 17 July 2018

## 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 2017-18

Note	2017-18 Estimate			2017-18 Outturn			2017-18	2016-17
	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	249,418	109,296	358,714	95,748	103,000	198,748	153,670	289,971
- Resource								
- Capital	-	-	-	-	-	-	-	-
Total Budget	249,418	109,296	358,714	95,748	103,000	198,748	153,670	289,971
Non-Budget								
- Resource								
<b>Total</b>	<b>249,418</b>	<b>109,296</b>	<b>358,714</b>	<b>95,748</b>	<b>103,000</b>	<b>198,748</b>	<b>153,670</b>	<b>289,971</b>
Total Resource	249,418	109,296	358,714	95,748	103,000	198,748	153,670	289,971
Total Capital	-	-	-	-	-	-	-	-
<b>Total</b>	<b>249,418</b>	<b>109,296</b>	<b>358,714</b>	<b>95,748</b>	<b>103,000</b>	<b>198,748</b>	<b>153,670</b>	<b>289,971</b>

### Net cash requirement 2017-18

Note	2017-18 Estimate £'000	2017-18 Outturn £'000	2017-18 Outturn compared with Estimate: saving/(excess) £'000	2016-17 Outturn £'000
Net cash requirement	SoPS 2	(65,207)	(78,574)	13,367
				(77,529)

### Administration costs 2017-18

Note	2017-18 Estimate £'000	2017-18 Outturn £'000	2016-17 Outturn £'000
Administration costs	-	-	-

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

The notes on pages 26 to 28 form part of these accounts.

**Notes to the Statement of Parliamentary Supply for the year ended 31 March 2018  
(Audited)**

**SoPS 1. Net outturn**

2017-18											2016-17 Outturn
Outturn							Estimate			Total	
Administration			Programme				Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements		
Gross	Income	Net	Gross	Income	Net	Total				£'000	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Judicial Pension Scheme - Annually Managed Expenditure:											
Voted	-	-	-	249,789	(154,041)	95,748	95,748	249,418	153,670	153,670	209,121
Non-voted	-	-	-	103,000	-	103,000	103,000	109,296	6,296	6,296	80,850
<b>Total</b>	-	-	-	<b>352,789</b>	<b>(154,041)</b>	<b>198,748</b>	<b>198,748</b>	<b>358,714</b>	<b>159,966</b>	<b>159,966</b>	<b>289,971</b>

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 £154m. This is mainly because the accounts do not include a provision for the “McCloud” case. The provision 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 £150m to cover any potential increase in the provision including any impact from the litigation, however in these 2017-18 accounts the case is being treated as a contingent liability.

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

	2017-18	2017-18	2017-18	2016-17
	Estimate	Outturn	Net Total Outturn compared with estimate: saving/ (excess)	
Note	£'000	£'000	£'000	£'000
Resource outturn	358,714	198,748	159,966	289,971
Accruals adjustments				
Non-cash items – Current Service and Interest costs	(356,100)	(347,000)	(9,100)	(258,000)
Non-cash items – Contributions receivable directly by the Consolidated Fund	-	(91)	91	(284)
Non cash items – Income attributable to Judiciary at the Corporation of London	-	129	(129)	144
Changes in working capital				
Increase/(decrease) in receivables	-	3,340	(3,340)	224
(Increase)/decrease in payables	-	(373)	373	665
Enhancements and transfers in	-	(4,781)	4,781	(6,020)
Movements in provisions				
McCloud provision	16 (150,000)	-	(150,000)	(159,893)
Use of pension provision	82,179	71,454	10,725	55,664
<b>Net cash requirement</b>	<b>(65,207)</b>	<b>(78,574)</b>	<b>13,367</b>	<b>(77,529)</b>

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).

	2017-18 Outturn		2016-17 Outturn	
	Income £'000	<i>Receipts</i> £'000	Income £'000	<i>Receipts</i> £'000
Excess cash receipts surrenderable to the Consolidated Fund	78,574	<i>78,574</i>	77,529	<i>77,529</i>
<b>Total income payable to the Consolidated Fund</b>	<b>78,574</b>	<b><i>78,574</i></b>	<b>77,529</b>	<b><i>77,529</i></b>

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**Parliamentary Accountability Disclosures (Audited)**

**Losses and special payments**

There are no losses or special payments.

**Remote contingent liabilities**

There are no material remote contingent liabilities.

Richard Heaton  
Accounting Officer

Date: 17 July 2018



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

### **Opinion on financial statements**

I certify that I have audited the financial statements of the Judicial Pensions Scheme for the year ended 31 March 2018 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Parliamentary Accountability disclosures that is described in those reports and disclosures as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Scheme's affairs as at 31 March 2018 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

### **Opinion on regularity**

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2018 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Basis of opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Judicial Pensions Scheme in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Responsibilities of the Accounting Officer for the financial statements**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

## **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Judicial Pension Scheme's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Judicial Pensions Scheme's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

### **Other Information**

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Parliamentary Accountability disclosures described as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Opinion on other matters**

In my opinion:

- the parts of the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the Judicial Pensions Scheme and its environment obtained in the course of the audit, I have not identified any material misstatements in the annual report; and

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

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

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

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

### **Report**

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

**Date 18 July 2018**

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 2018

	Note	2017-18		2016-17	
		£'000	£'000	£'000	£'000
<b>Income</b>					
Contributions receivable	3	(149,829)		(128,462)	
Other pension income	4	(853)		(737)	
Transfers in	7	(3,359)		(5,480)	
			(154,041)		(134,679)
<b>Expenditure</b>					
Service cost	5	220,000		147,000	
Pension financing cost	8	127,000		111,000	
Fee-paid judges provision	14a	-		159,893	
Enhancements & transfers in	6 & 7	4,781		6,020	
Payment to HMRC for JPS 2015 Scheme		155		-	
Administration expenses	9	853		737	
			352,789		424,650
<b>Net Expenditure</b>			<b>198,748</b>		<b>289,971</b>
<b>Other Comprehensive Net Expenditure</b>					
Recognised gains and losses for the financial year:					
Other actuarial re-measurement	14g		(85,000)		549,000
<b>Total Comprehensive Net Expenditure for the year ended 31 March 2018</b>			<b>113,748</b>		<b>838,971</b>

The notes on pages 37 to 52 form part of these accounts

**Statement of Financial Position  
as at 31 March 2018**

		31 March 2018		31 March 2017	
	Note	£'000	£'000	£'000	£'000
<b>Current Assets:</b>					
Receivables	11	13,935		10,596	
Cash and cash equivalents	12	<u>28,744</u>		<u>25,358</u>	
<b>Total current assets</b>			42,679		35,954
<b>Current Liabilities:</b>					
Payables (within 12 months)	13	<u>(34,965)</u>		<u>(31,336)</u>	
<b>Total current liabilities</b>			<u>(34,965)</u>		<u>(31,336)</u>
<b>Net current assets</b>			7,714		4,618
<b>Non-current liabilities</b>					
Pension liability	14e		(4,619,651)		(3,764,557)
Provisions	14a		-		(738,127)
<b>Net liabilities</b>			<u>(4,611,937)</u>		<u>(4,498,066)</u>
<b>Taxpayers' equity:</b>					
General fund			(4,611,937)		(4,498,066)
			<u>(4,611,937)</u>		<u>(4,498,066)</u>

Richard Heaton  
Accounting Officer

Date: 17 July 2017

The notes on pages 37 to 52 form part of these accounts

## Statement of Changes in Taxpayers Equity for the Year Ended 31 March 2018

		2017-18	2016-17
	Note	<u>£'000</u>	<u>£'000</u>
<b>Balance at 1 April</b>		(4,498,066)	(3,656,649)
Consolidated Fund Standing Services:			
Pension payable by the Consolidated Fund		78,360	74,943
Contributions payable/(receivable) directly by the Consolidated Fund		91	284
HJ pension payments made by the Consolidated Fund		129	-
Income attributable to the Judiciary at the Corporation of London		(129)	(144)
CFERs payable to the Consolidated Fund		(78,574)	(77,529)
Comprehensive Net Expenditure for the year		(198,748)	(289,971)
Other actuarial re-measurement - gain/(loss)	14(g)	85,000	(549,000)
<b>Balance at 31 March</b>		<u><u>(4,611,937)</u></u>	<u><u>(4,498,066)</u></u>

The notes on pages 37 to 52 form part of these accounts

## Statement of Cash Flows for the Year Ended 31 March 2018

	Note	2017-18 £'000	2016-17 £'000
<b>Cash flows from operating activities:</b>			
Net expenditure for the year	SoPS 1	(198,748)	(289,971)
Adjustments for non-cash transactions:			
Contributions payable/(receivable) by the Consolidated Fund		91	284
Income attributable to Judiciary at the Corporation of London		(129)	(144)
Movement in fee-paid judges provision	14a	-	159,893
Adjustment in respect of working capital		(2,967)	(889)
Increase in pension provision	5 & 8	347,000	258,000
Use of provisions		(71,454)	(55,664)
Enhancements & transfers in		4,781	6,020
<b>Net increase in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund</b>		<b>78,574</b>	<b>77,529</b>
Payment of amounts due to the Consolidated Fund – current year		(50,212)	(52,487)
Payment of amounts due to the Consolidated Fund – prior year		(25,042)	(19,030)
Increase in cash held on behalf of the Consolidated Fund		66	316
<b>Net increase in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund</b>		<b>3,386</b>	<b>6,328</b>
<b>Cash and cash equivalents at the beginning of the year</b>	12	25,358	19,030
<b>Cash and cash equivalents at the end of the year</b>	12	<b>28,744</b>	<b>25,358</b>

The notes on pages 37 to 52 form part of these accounts.



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## 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 2017-18 Government Financial Reporting Manual (FReM), issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector. IAS 19 *Employee Benefits* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans* are of particular relevance to these statements.

#### 1.1 Judicial Pensions Scheme (JPS)

The Judicial Pension Scheme consists of final salary schemes and a career average scheme which were contracted out until 6 April 2016. They are unfunded pay-as-you-go occupational pension schemes. It has been administered by an external service provider, 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 2018 shows a pension liability of £4,620m, including the provisions for fee-paid judges (2016-17: £3,765m with a provision of £738m 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 2018-19 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 1<sup>st</sup> April 2015. In this scheme there is no distinction between contributions paid for members (PPC) and dependants (WPS) as existed in the 1993 Scheme and no refunds are payable on retirement.

Judges who are members of the FPJPS 2017 Scheme have paid employee contributions since 1<sup>st</sup> April 2017. This scheme approximates the 1993 Scheme as closely as possible and includes the WPS contributions and refunds.

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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 2.80% (2016-17 3.60%) 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 2017-18 is 0.10% per annum real (2016-17: 0.24%). The valuation takes account of the overnight change in the Scheme's liabilities as a result of the change in the discount rate to 0.10% real as at 31 March 2018. 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. 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. The data used for the Fee-Paid Judicial Pension Scheme (FPJPS) had an effective date of 31 March 2017.

### **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. From 1<sup>st</sup> April 2017 these office holders are now members of the FPJPS and the provision previously made for this has been transferred into the overall pension liability.

Further information about the provision is set out in Note 14.

### **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.

From 5 January 2015 scheme administration has been carried out by PS Administration Limited (PSAL), an external service provider. Following the merger of Xafinity and PSAL in January 2018 Xafinity Punter Southall (XPS) became the Scheme Administrator for the JPS. XPS operate governance and internal control arrangements, which are independently audited on an annual basis. The costs of XPS are paid by the MoJ.

The JPS is authorised by HM Treasury to pay the MoJ 0.25% of the 38.45% Accrued Superannuation Liability Charges (ASLC) received. In 2017-18 this amounts to £853k (2016-17: £737k). 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.

### 2.1.15 Accounting standards issued but not yet effective

IFRS 9: Financial Instruments, IFRS 15: Revenue from contracts with customers and IFRS 16: Leases are not yet effective for public sector reporting. The JPS does not have any leases or contracts with customers and the financial instruments standard is not expected to have a material impact on the accounts.

## 3. Pension contributions receivable

	2017-18	2016-17
	£'000	£'000
Employers; appointing bodies:		
Accruing Superannuation Liability Charges (ASLCs)	130,366	112,683
Employees; Judicial Office-holders:		
Normal contributions: Pension Contributions	18,041	15,239
Purchase of Added Years: internal JPS AVC's only	1,422	540
	<u>149,829</u>	<u>128,462</u>

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

Contributions payable to the JPS in 2018-19 are expected to be £154m.

#### 4. Other Pension Income

	2017-18 £'000	2016-17 £'000
Administration fees receivable from appointing bodies	853	737
	<b>853</b>	<b>737</b>

#### 5. Service Cost

	2017-18 £'000	2016-17 £'000
Current service cost: (see note 14e)		
Judiciary paid from the JPS Estimate and pension increases for all Judiciary	117,000	66,150
Judiciary paid from the Consolidated Fund (notional expenditure)	103,000	80,850
	<b>220,000</b>	<b>147,000</b>

The service cost is apportioned between Vote and non-Vote expenditure based on a percentage split provided by the Government Actuary's Department, representing the ratio of members across all schemes in the higher and lower judiciary. The 2017-18 pension cost has been allocated at 53% Vote and 47% non-Vote (2016-17: 45% Vote and 55% non-Vote).

#### 6. Enhancements

	2017-18 £'000	2016-17 £'000
Employees:		
Purchase of added years	1,422	540
	<b>1,422</b>	<b>540</b>

#### 7. Transfers in – additional liability

	2017-18 £'000	2016-17 £'000
Individual transfers from other schemes	3,359	5,480
	<b>3,359</b>	<b>5,480</b>

#### 8. Pension financing cost

	2017-18 £'000	2016-17 £'000
Net interest on defined pension liability (see note 14e)	127,000	111,000
	<b>127,000</b>	<b>111,000</b>

## 9. Administration Expenses

	2017-18	2016-17
	£'000	£'000
Administration expenses paid to the MoJ	853	737
	<b>853</b>	<b>737</b>

### 10.1 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, JPS 2015 and FPJPS 2017 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	
	2017-18	2016-17	2017-18	2016-17
	£'000	£'000	£'000	£'000
<b>Movements in the year</b>				
Balance at 1 March / 1 April	70	307	4,113	3,409
New investments	2	2	336	398
Leavers, transfers & withdrawals	-	(276)	-	-
Sales of investments to provide pension benefits	-	-	(625)	(247)
Changes in market value of investments	4	37	88	553
<b>Balance at 28 February / 31 March</b>	<b>76</b>	<b>70</b>	<b>3,912</b>	<b>4,113</b>
Contributions received to provide life cover	-	-	-	-

Note: The figures from Equitable Life cover the 12 month period from 01/03/17 to 28/02/18 whereas the figures from Prudential cover the 12 month period from 01/04/17 to 31/03/18.

### 10.2 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.

### **10.3 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.

### **10.4 Additional Voluntary Contributions – Fee-Paid JPS**

The Fee Paid Judicial Added Years Scheme (FPJAYS) and Fee-Paid Judicial Added Surviving Adult's Pension Scheme (JASAPS) is open to members of the FPJPS (Fee-Paid Judicial Pension Scheme) who were in service before 6 April 2006. FPJPS members who wished to join these schemes were required to give notice in writing to the scheme administrators Xafinity Punter Southall (XPS) within one year of the commencement of the FPJPS on 1 April 2017. FPJPS members may only make contributions to JASAPS during periods of service in qualifying judicial office during which they have a spouse or civil partner.

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

This is a tax-registered stakeholder pension scheme for 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 2017-18 £21,045.40 in contributions were paid to Prudential by members of the scheme.



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

### 11 (a) Analysis by type

#### Amounts falling due within one year

	2017-18	2016-17
	£'000	£'000
Pension contributions due from appointing bodies:		
Accruing Superannuation Liability Charges (ASLCs), including administration fees	10,664	9,189
Pension contributions due from Judicial Office-holders:		
Normal contributions -Personal Pension Contributions (PPCs)	1,556	1,336
Purchase of Added Years: internal JPS AVC's only	26	27
Transfer in from Residential Property Tribunal	1,566	-
Overpaid pensions & Other debtors	85	-
Ex-gratia payments due from MoJ	38	44
	<b>13,935</b>	<b>10,596</b>

## 12. Cash and cash equivalents

	2017-18	2016-17
	£'000	£'000
Balances as at 1 April	25,358	19,030
Net change in cash balances	3,386	6,328
<b>Balance at 31 March</b>	<b>28,744</b>	<b>25,358</b>
The following balances at 31 March were held at:		
Government Banking Service	28,744	25,358
	<b>28,744</b>	<b>25,358</b>

### 13. Payables – in respect of pensions

#### 13 (a) Analysis by type

	2017-18	2016-17
	£'000	£'000
<b>Amounts falling due within one year</b>		
Death in service and early retirement payments	129	690
Other lump sums due	-	-
Tax due to HM Revenue and Customs	5,065	4,506
Pension arrears	16	-
Other creditors	650	615
Administration charges due to Ministry of Justice	361	167
Total payables excluding CF creditor	6,221	5,978
Extra receipts due to the Consolidated Fund	28,193	25,042
Non-JPS cash held on behalf of the Consolidated Fund	551	316
	<b>34,965</b>	<b>31,336</b>

### 14. Provisions for pension liability

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

Provision was made for fee-paid pension entitlements, representing a liability relating to fee-paid judicial office holders who had claimed, or were eligible to claim, retrospective pension rights. This followed the ruling on 6 February 2013 of the UK Supreme Court, 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. Whilst litigation has continued on various elements of the liability (see note 16 below), remedy has been provided by the implementation of the Fee Paid Judicial Pension Scheme, which came into force on 1 April 2017. Payment of all pension benefits from 1 April 2017 will fall to the JPS.

The provision of £738,127k as at 31 March 2017 has therefore been transferred into the overall pension liability covering all schemes, with effect from 1 April 2017. The liability in respect of eligible fee paid judges is now recalculated on an annual basis by GAD, alongside and on the same basis as the other schemes.

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

The Judicial Pension Scheme is an unfunded defined benefit scheme. The Government Actuary's Department undertook a full actuarial valuation as at 31 March 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 2018	At 31 March 2017	At 31 March 2016	At 31 March 2015	At 31 March 2014
Rate of increase in salaries	3.95%	4.55%	4.2%	4.2%	4.5%
Rate of increase in pensions in payment and deferred pensions	2.45%	2.55%	2.2%	2.2%	2.5%
Inflation assumption	2.45%	2.55%	2.2%	2.2%	2.5%
Nominal discount rate	2.55%	2.80%	3.60%	3.55%	4.35%
Discount rate net of price inflation	0.10%	0.24%	1.37%	1.3%	1.8%
Mortality rates at aged 60 (life expectancy in years)					
Current retirements					
Females	31.3	31.9	31.8	32.5	32.4
Males	29.6	30.4	30.2	30.5	30.4
Retirements in 15 years time					
Females	32.9	33.5	33.4	34.2	34.1
Males	31.1	32.0	31.9	32.3	32.1

These key assumptions are inherently uncertain, since it is impossible to predict with any accuracy future changes in the rate of salary increases, inflation, longevity, or the return on corporate bonds. The actuary uses professional expertise in arriving at a view of the most appropriate rates to use in the annual valuation of the scheme liabilities. However the Scheme Manager acknowledges that the liability reported in these accounts is not certain, since a change in any one of these assumptions will either increase or reduce the liability. For example, on its own, even a small rise in the assumed rate of inflation will result in a significant increase in the pension liability.

The assumption that has the biggest impact on the amount of the reported liability is the discount rate net of price inflation. As set out in the FReM, and as required by IAS 19, the discount rate net of price inflation is based on yields on high quality corporate bonds and is specified by HM Treasury. The rates are set out in the above table. Any decrease in the discount rate net of inflation leads to a significant increase in the reported liability.

In accordance with IAS 19 the Scheme Manager is required to undertake a sensitivity analysis for each significant actuarial assumption (see note 14d) as of the end of the reporting period, showing how the defined benefit would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date.

#### 14 (c) Analysis of the pension liability

	March 2018 £m	March 2017 £m	March 2016 £m
Liability relating to pensioners in payment	1,733	1,765	1,252
Liability relating to deferred pensioners	29	28	15
Liability relating to active members	2,858	1,972	1,815
<b>Scheme liability at 31 March</b>	<b>4,620</b>	<b>3,765</b>	<b>3,082</b>

The value of liabilities has been calculated as at 31 March 2018 by rolling forward the liability calculated as at 31 March 2016 to 31 March 2018 (from 31 March 2017 to 31 March 2018 for the FPJPS 2017 scheme) 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 2018. This is the professional judgement of the actuary based on the information provided by the Scheme Administrator (see the Report of the Actuary pages 14-18).

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

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

The value of the liability on the statement of financial position may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rates of inflation or increases in salaries, the value of the pension liability will increase or decrease. The Scheme Manager accepts that, as a consequence, the valuation provided by the actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in note 14(g). The note also discloses 'experience' gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

#### **14 (d) Sensitivity analysis**

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. 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 sets out a sensitivity analysis for each significant actuarial assumption, showing the impact of changes in the assumption on the scheme liability as at 31 March 2018.

Change in assumption *	Approximate effect on total liability	
<b>Financial assumptions</b>		
(i) discount rate: +½% a year	-7½%	-£350 million
(ii) (long-term) earnings increase: +½% a year	+1%	+£50 million
(iii) pension increases: +½% a year	+6½%	+£300 million
<b>Demographic assumptions</b>		
(iv) additional 1 year increase in life expectancy at retirement	+3½%	+£160 million

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

The sensitivity analysis is discussed further in the Report of the Actuary on page 18 of these accounts.

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

	Note	2017-18 £'000	2016-17 £'000
Scheme liability at 1 April		3,764,557	3,082,144
Amalgamation of the fee-paid judges provision		738,127	-
Current service cost	5	220,000	147,000
Pension financing cost	8	127,000	111,000
Enhancements & transfers in		4,781	6,020
Pension benefits payable	14(f)	(149,814)	(130,607)
Other re-measurement - (gains)/losses	14(g)	(85,000)	549,000
<b>Scheme liability at 31 March</b>		<b>4,619,651</b>	<b>3,764,557</b>

During the years ended 31 March 2018 and 31 March 2017, 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%. 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. From 1 April 2017 members of the Fee-Paid Judicial Pension Scheme (FPJPS) paid PPC's at the same rates as JUPRA members.

The 2017-18 contribution rates are expected to remain the same in 2018-19.

#### 14 (f) Analysis of benefits paid

	2017-18		2016-17	
	£'000	£'000	£'000	£'000
Members – Base pensions	37,491		26,411	
Members – Pensions increase	15,149		15,073	
Members – Lump sum on retirement	11,673		6,409	
Dependants – Base pensions	2,218		2,181	
Dependants – Pensions increase	4,818		4,794	
Dependants – Lump sum on death of members	105		796	
<b>Pension benefits payable from Supply</b>		<b>71,454</b>		<b>55,664</b>
Members – Base pensions	58,564		54,610	
Members – Lump sum on retirement	10,764		12,308	
Dependants – Base pensions	6,929		6,750	
Dependants – Lump sum on death of member	2,103		1,275	
<b>Pension benefits payable from Consolidated Fund</b>		<b>78,360</b>		<b>74,943</b>
<b>Total pension benefits payable charged against provision</b>		<b>149,814</b>		<b>130,607</b>

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

	2017-18	2016-17
	£'000	£'000
Experience gains/(losses) arising on the scheme liabilities	35,000	24,000
Gains/(losses) resulting from changes in assumptions underlying the present value of scheme liabilities	50,000	(573,000)
<b>Per Statement of Changes in Taxpayers Equity</b>	<b>85,000</b>	<b>(549,000)</b>

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

	2017-18	2016-17	2015-16	2014-15	2013-14
	£'000	£'000	£'000	£'000	£'000
<i>Experience gains/(losses) on scheme liabilities:</i>					
Amount	35,000	24,000	32,000	84,000	(78,000)
Percentage of the present value of the scheme liabilities at the balance sheet date	(0.76%)	(0.64%)	(1.04%)	(2.69%)	2.67%
<i>Total other re-measurement - gains/(losses):</i>					
Amount	85,000	(549,000)	180,000	(39,000)	(294,000)
Percentage of the present value of the scheme liabilities at the balance sheet date	(1.84%)	14.58%	(5.84%)	1.25%	10.06%

## 15. Financial Instruments

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

## 16. 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. An employment tribunal in March 2017 found in the claimants' favour, the case was unsuccessfully appealed and has now been referred to the Court of Appeal. It is estimated that the potential cost of extending transitional protection to all judges affected by this litigation would be an increase of £150m in the current pension liability.

There is also continuing litigation regarding the pension liability for fee-paid judges. We are currently awaiting the reserved judgment of the Supreme Court on two issues: (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. The Supreme Court has referred the first point to the Court of Justice of the European Union (CJEU), with the case likely to return to the Supreme Court in early 2019.

It is not currently possible to give a reliable estimate of the potential costs.

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## **17. Related party transactions**

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

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

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

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

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

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









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