Judicial Pensions Scheme

Annual Report and Accounts

2022-23

(For the year ended 31 March 2023)

HC 1469

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Background to the Judicial Pensions Scheme

During the financial year 2022-23, the Judicial Pensions Scheme (JPS) consisted of one principal judicial pension scheme (JPS 2022), and four legacy schemes. These are:

The 2022 Scheme (JPS 2022)

In order to equalise treatment across the judiciary, eligible judicial office holders automatically moved into JPS 2022 on 1 April 2022. JPS 2022 is intended to deliver on the commitment the government made to develop a pensions-based solution to the serious recruitment and retention problems identified by the Senior Salaries Review Body in its Major Review of the Judicial Salary Structure, published in 2018.

JPS 2022 is designed to be in line with the Hutton principles for public service pension reform. The Public Service Pensions and Judicial Offices Act received Royal Assent on 10 March 2022, closing all existing judicial pension schemes for future accrual after 31 March 2022. The Judicial Pension Regulations 2022 were made on 17 March 2022 and the scheme came into effect on 1 April 2022.

The JPS 2022 is an unfunded, career average revalued earnings (CARE) scheme for both salaried and fee-paid judges. As JPS 2022 is not a tax registered scheme, member contributions do not attract income tax relief. JPS 2022 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 per annum of pension commuted. JPS 2022 also provides for a surviving adult's pension at a rate of 37.5% of the member's pension.

The following four legacy schemes closed for future accrual on 31 March 2022. Members who have accrued pensions under these schemes prior to that date will continue to receive benefits related to that service period under the terms of the legacy schemes.

The 1981 Scheme (JPA 1981)

Salaried judges appointed prior to 31 March 1995 usually participated in a scheme established under the Judicial Pensions Act 1981 (JPA 1981). JPA 1981 members had the right to elect to transfer into the 1993 JUPRA Scheme at any time up to six-months after retirement.

JPA 1981 is an unfunded, final salary occupational pension scheme, which is not registered for tax purposes.

The 1993 Scheme (JUPRA)

Salaried judges appointed between 31 March 1995 and 31 March 2015 usually participate in a scheme established under the Judicial Pensions and Retirement Act 1993 (JUPRA).

JUPRA is an unfunded, final salary occupational pension scheme, which is not registered for tax purposes.

The 2015 Scheme (JPS 2015)

The JPS 2015 was established under the Judicial Pensions Regulations 2015 and came into effect on 1 April 2015.

From 1 April 2015 until 31 March 2022, all newly eligible judicial office holders joined the JPS 2015 scheme unless they decided to opt out. This included those in post at 1 April 2015 who did not have full or tapering transitional protection at the time.

The JPS 2015 is an unfunded, career average scheme for both salaried and fee-paid judges. Unlike JPA 1981 and JUPRA, JPS 2015 is a tax registered scheme.

The JPS 2015 pension scheme reference number is 10276694 and the pension scheme tax reference number is 00820836RY.

The 2017 Scheme (FPJPS)

The Fee-Paid Judicial Pension Scheme (FPJPS) was established under the Judicial Pensions (Fee-Paid Judges) Regulations 2017 and commenced on 1 April 2017. Fee-paid judicial office holders who were appointed before 1 April 2015 and who met membership criteria usually participated in this scheme established under FPJPS.

FPJPS is an unfunded, final salary scheme for eligible fee-paid judges which mirrors JUPRA as far as possible. FPJPS eligibility was established following the O'Brien and Miller litigation. On 1 April 2023 amendment regulations were made affecting this scheme, formally allowing service from pre-7 April 2000 to be considered eligible for pension benefits (previously paid by MoJ as payments in lieu of pension (PILs)), and work on preparing these amendment regulations was carried out throughout 2022-23. The new amendments also include "pre-1995 provisions" that mirror the JPA 1981 provisions for eligible judges.

Transitional Protection

JPA 1981, JUPRA and FPJPS members with full transitional protection under Schedule 2 of the Judicial Pensions Regulations 2015 remained in their current JPS until 31 March 2022.

Those with tapering transitional protection under these regulations had a choice of moving to JPS 2015 on 1 April 2015 or at the end of their taper period, until this process was stopped on 30 September 2019, following the judgment in McCloud v the Ministry of Justice (MoJ).

The MoJ consulted on its approach to addressing the discrimination identified in the McCloud case and published its response on 25 February 2021: Judicial Pensions: Response to McCloud - Response to consultation (publishing.service.gov.uk). Judges in scope of the McCloud remedy will participate in an options exercise expected to commence in Summer 2023. This will allow them to make a retrospective choice of pension scheme membership for the period from 1 April 2015 to 31 March 2022. The choice available in the options exercise will be between the relevant pre-2015 scheme, or JPS 2015.

All existing JPS members moved into the Judicial Pension Scheme 2022 (JPS 2022) from 1 April 2022 and benefits built up in their previous judicial pension schemes were protected.

Main Features of the JPS

Scheme	Membership	Accrual Rate
JPA 1981 & JUPRA	Eligible salaried judges with full or tapering transitional protection plus salaried judges in scope of the McCloud remedy who opt for JUPRA service for the remedy period.	**JPA 1981:** Maximum accrual rate 20/40ths after 15 years or 40/80ths after 20 years depending upon office held. **JUPRA:** Maximum accrual rate 20/40ths after 20 years.
FPJPS	Eligible fee-paid judges with full or tapering transitional protection plus fee-paid judges in scope of the McCloud remedy who opt for FPJPS service for the remedy period.	Maximum accrual rate 20/40ths after 20 reckonable years or after 15 reckonable years for some offices under the "Pre-1995 provisions".
JPS 2015	Eligible salaried & fee-paid judges, including those who have tapered from the other JPS, unless they are in scope of the McCloud remedy and opt for JUPRA / FPJPS service for the remedy period.	2.32% of pensionable earnings each year. There is no limit to the amount of earned pension that can be accrued.
JPS 2022	All eligible salaried and fee-paid judges with service after 1 April 2022	2.5% of pensionable earnings (or 2.42% of pensionable earnings for those in a qualifying post at 31 March 2022 who took up the option to pay a time limited contribution rate of 3% which ends 31 March 2025). There is no limit to the amount of earned pension that can be accrued.

JPA 1981 provides for maximum benefit accrual over either 15 or 20 years. The qualifying conditions for retirement benefits vary according to age and length of pensionable service. The retirement lump sum is twice the initial annual pension. The pre-1995 provisions in FPJPS now mirror these JPA 1981 provisions where service in a qualifying fee-paid office meets the eligible criteria.

JUPRA and the post-1995 provisions in FPJPS provide a lump sum of 2.25 times the member's initial annual pension. Members' normal retirement pension is calculated at 1/40th of the highest of the last three years' pensionable pay, up to a level reflecting the former HM Revenue and Customs (HMRC) earnings cap (the 'notional' earnings cap), multiplied by the number of years of reckonable service, up to a maximum of 20 years. Retirement benefits are payable from age 65 years subject to having completed five years' pensionable service.

A top up scheme operates to provide pension benefits for JUPRA members in respect of salaries above the notional earnings cap. The 2022-23 notional earnings cap was £181,800 (2021-22: £172,800).

As JPA 1981, JUPRA, FPJPS and JPS 2022 are not tax registered schemes, member contributions and lump sum benefits payable on retirement do not attract income tax relief.

Judges in the non-tax registered JPA 1981, JUPRA and FPJPS schemes receive a judicial service award (JSA) which becomes payable as they near retirement. The level of the award, which is a proportion of the lump sum, reflects both their years of service and judicial office and compensates them for the tax payable ensuring their net position is maintained. There is no JSA for lump sums payable on pensionable pay above the earnings cap in JUPRA. Judicial service awards are paid by MoJ and are accounted for in the MoJ accounts.

Judges in the non-tax registered JPS 2022 receive a commutation supplement (similar to the JSA) if part of the pension is commuted to a lump sum. This is paid by the JPS at the same time as the lump sum. The level of the commutation supplement is a proportion of the lump sum to compensate for the tax payable and ensure their net position is maintained.

Spouses' and civil partners' pension benefits, payable on the death of a JPA 1981, JUPRA or FPJPS member, are paid at the rate of half that of the member's annual pension entitlements. They are paid at the rate of 37.5%, along with an enhancement factor, for JPS 2022 members.

JPA 1981, JUPRA, FPJPS and JPS 2022 also provide lump sum benefits on death in service and death in early retirement, as well as early payment of enhanced pension benefits in the event of retirement on the grounds of ill health. The level of benefits provided depends on the appropriate legislation.

There is also provision for all leaving members who have completed two years' service to preserve their accrued JPS benefits for payment when they reach normal pension age, in accordance with the scheme rules.

As JPS 2015 was a tax registered scheme, benefits accrued were subject to annual and lifetime allowance limits for tax purposes. Pension contributions and retirement lump sums attracted 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% where each scheme year members bank an amount of pension at the rate of 2.32% of their pensionable earnings in that period. A member's final pension is made up of the amounts banked each scheme year with indexation applied. The indexing (revaluation) rate is required further to section 9 of the Public Services Pension Act 2013: [Public Service Pensions Act 2013 (legislation.gov.uk)](), currently in line with the Consumer Price Index (CPI).

The age at which a JPS 2015 pension becomes payable without reduction is linked to the member's state pension age.

JPS 2015 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 per annum of pension commuted, subject to HMRC limits.

JPS 2015 also provides for a surviving adult's pension at a 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.

The Partnership Pension Account/Judicial Additional Voluntary Contributions Scheme

All judges who were eligible to join the JPS 2015 could opt out and 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 they do retain the right to transfer to the JPS 2015 or JUPRA as part of the McCloud remedy.

The PPA is not available to members of the JPS 2022. However, Judges can also increase the amount of benefits they receive at retirement by paying extra contributions into the Judicial Additional Voluntary Contributions Scheme (JAVCS). The JAVCS is a tax-registered, defined contribution scheme. Contributions will therefore attract tax relief and pension benefits count towards an individual's annual allowance and lifetime allowance. Contributions made to the scheme are invested with an authorised independent pension provider. They invest the member's contributions as requested by the member according to a range of investment options. The fund which is generated can be used to purchase pension benefits for the scheme member or their dependants. The JAVCS cannot be used to purchase additional benefits in JPS 2022

Enhancing JPS Retirement Benefits

Serving members of the JPA 1981, JUPRA and FPJPS schemes can increase their scheme entitlement by making additional contributions to one of three Additional Voluntary Contribution (AVC) facilities within the JPS. These are the Judicial Added Benefits Scheme, the Judicial Added Years Scheme and the Added Surviving Adult's Pension Scheme. These three arrangements were closed to new subscribers with effect from 6 April 2006. This is not applicable to members of JPS 2022 as the scheme is intended to deliver equivalent benefits to a registered scheme without the restrictions on registered benefits. It would therefore not be appropriate to establish standalone registered schemes for the purpose of purchasing 'Added Pension' or attaining a lower 'Effective Pension Age' alongside the reformed scheme.

Subject to eligibility requirements, FPJPS members who held an eligible judicial office between 31 March 1995 and 6 April 2006 may contribute to the Fee-Paid Judicial Added Years Scheme (FPJAYS) / the Fee-Paid Judicial Added Surviving Adult's Pension Scheme (JASAPS) in respect of their service post-1995 and the Fee-Paid Judicial Added Benefits Scheme (JASABS) in respect of their service pre-1995. They may only make contributions to the JASAPS during periods of service in qualifying judicial office during which they have a spouse or civil partner.

There were two internal AVC arrangements available to JPS 2015 members. These are the Added Pension Option and the Effective Pension Age Option. Neither are available to JPS 2022 members. However, in certain cases, contributions to the Added Pension option from existing subscribers can continue to be made.

Cost Control Mechanism

A key feature of the reforms to Public Service Pensions recommended by Lord Hutton in his 2011 report was the inclusion of a cost control mechanism (CCM) to ensure affordability. The CCM functions by initially setting expected employment costs of the scheme as a percentage of pensionable pay. The expected costs were set after the first scheme valuation after the introduction of the CCM. The costs revealed by subsequent scheme valuations are then compared to the expected cost. If the costs of the scheme breach a cost floor/ceiling, then benefits and/or contributions are adjusted to bring costs back in line with expectations (after consultation with scheme members).

The CCM will only consider past and future service in the reformed schemes, with legacy scheme costs excluded. All judicial pension scheme service from 1 April 2022 onwards will be included in the CCM. The 2020 valuation will be used to set the CCM baseline cost percentage for JPS 2022 which will also take into account the revised benefit accrual rate for JPS 2022. This will be reflected in amended JPS 2022 regulations in 2024. This is discussed further at: MOJ statement on Cost Control Mechanism for Judicial Pension Scheme 2022 - GOV.UK (www.gov.uk). The CCM is discussed further at: https://questions-statements.parliament.uk/written-statements/detail/2023-05-15/hcws771.

Lord Chancellor's Pensions

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

Funding

Funding Sources

JPS 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. For other JPS members, the pension benefits are paid from Judicial Pensions Scheme Estimates voted by Parliament.

The JPS accounts include all relevant expenditure and income relating to the payment of judicial pension benefits.

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, the contribution rate was 51.35% of pensionable pay for 2022-23 (2021-22: 51.35%), which includes an administration charge of 0.25%.

In 2022-23 the pension contribution for members in JPS 2022 was 4.26%, with members, who were in a qualifying post at 31 March 2022, having the option to pay a reduced rate of 3% until 31 March 2025.

Contributions to the JPS by employers are set at rates determined by the Government Actuary's Department (GAD) and approved by the MoJ after consideration by the Judicial Pension Board. Contributions to the JPS by members are paid at rates set out in secondary legislation. 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 JPA 1981, JUPRA and FPJPS schemes were lower than JPS 2015 rates to take account of tax relief not being applicable. This contribution incorporates Dependants' Pension Contributions (DPC) and the Personal Pension Contributions (PPC).

Pension Increases

Annual increases are applied to pension payments in accordance with the Pensions (Increase) Act 1971 at the rate detailed in the annual pension increase order. In accordance with the Pensions Increase (Review) Order 2023, the annual rate of increase is 10.1% with effect from 1 April 2023 (3.1% for the Pensions Increase (Review) Order 2022, from 1 April 2022).

Discount Rate

Since 2006 the discount rate for pensions has been reviewed annually, using market conditions. On 2 December 2022 HM Treasury announced in its Public Expenditure System paper PES (2022)08 that the discount rate for pension liabilities would change from -1.3% to 1.7% in real terms with effect from 31 March 2023.

Financial Position

At 31 March 2023 the JPS had long-term liabilities of £4,584m (31 March 2022: £6,843m), a decrease of £2,259m. The decrease in the pension liability is mainly due to changes in financial assumptions.

The biggest impact comes from the nominal discount rate which has increased from 1.55% to 4.15%. An increase in the discount rate reduces the present value of the pension liabilities. There was also a reduction in the assumed rate of pension increases from 2.90% to 2.40% and a reduction in the assumed rate of general pay increases from 4.15% to 3.65%, both of which have reduced the value of the liabilities.

The discount rate and rate of pension increase are determined by HM Treasury each year. The general pay increase is an estimate from GAD, the reasonableness of which is considered and approved by the JPS Finance Committee each year.

To a lesser extent, there was also a decrease in the value of liabilities resulting from changes to the demographic assumptions. This was driven by the update to the anticipated future improvements in mortality, which use the latest population projections published by ONS, from the 2018 projections to the 2020 projections, which decreases the value of the liabilities. In addition, the change in baseline mortality assumptions and other demographic assumptions to reflect changes proposed for the 2020 valuation, based on the experience of the scheme and other relevant sources decrease the value of the liabilities.

The interest cost of £107m for 2022-23 is higher than the previous year's amount of £80m. The interest cost is calculated by applying the opening discount rate at 1 April 2022 (which is equivalent to the rate as at 31 March 2022) to the liability brought forward at 1 April 2022. This is approximated as 1.55% of £6,843m (1.25% of £6,308m in 2021-22).

The current service cost (CSC) is primarily driven by applying the cost of pensions earned by active members over the year to the annual payroll figure. CSC has increased to £372m in 2022-23 from £323m in 2021-22. This is due to the decrease in discount rate net of CPI inflation from -0.95% at 31 March 2021 to -1.30% at 31 March 2022, increasing the service cost as a percentage of pay.

In 2022-23 there was a past service gain of £142m. £154m is a past service gain resulting in a reduction in the O’Brien and Miller pension liability, mainly due to new Miller data being available. This is offset by a past service cost of £12m in relation to the estimated pension liability for an unrelated litigation case.

The total actuarial gain is £2,397m for 2022-23 (£277m loss in 2021-22) mainly due to the gain arising in changes in the financial and demographic assumptions mentioned above but offset slightly by an experience loss, primarily due to the pension increase of 10.1% being higher than forecast.

Overall, in 2022-23 total expenditure for the JPS was £259m less than the total budgeted amount within the Supplementary Estimate. This is referred to in more detail in the Statement of Outturn against Parliamentary Supply on page 33.

Administration

The Lord Chancellor is the scheme manager for the JPS with functions in relation to administration exercised by the MoJ Director of Financial Management and Control.

Xafinity Punter Southall Administration Limited (XPS), a company under registration number 9428346, is currently appointed to deliver the JPS pension administration and pensioner payroll service.

Production of this Annual Report and Accounts for the JPS is undertaken by the MoJ, drawing on management information from XPS and other relevant parties.

There are no legal advisers appointed by the Scheme. Legal matters are administered by the MoJ, with advice from the Government Legal Department.

Key Developments in the year

Fee-paid judicial office holders’ claims

On 1 April 2023 the Judicial Pensions (Fee-Paid Judges) (Amendment) Regulations 2023 came into force, allowing for all qualifying past service of fee paid members of the judiciary to be eligible for a pension. Previously only service from 7 April 2000 was used for the calculation of pension payments, with payments in lieu of pension being calculated and paid to judges for service before this date. The amendment regulations now allow for pension payments to be made for service from the date of a fee paid judge’s appointment, meaning that the JPS complies with the terms of the European Court of Justice judgment in O’Brien v MOJ (OB2 and Miller).

In addition, the Ministry of Justice completed its process of assessing all fee paid judicial service in 2022-23, meaning there should be no further claims.

Transitional protection claims (McCloud)

In December 2018, the Court of Appeal ruled that the JPS 2015 transitional protection provisions were unlawful on grounds of age discrimination (commonly known within MoJ as McCloud). The Supreme Court issued a decision in June 2019 rejecting the government's application for permission to appeal.

Judges in scope of the McCloud remedy (generally those in post on 31 March 2012 and who had more than 10 years to pension age on that date) will participate in an options exercise expected to commence in Summer 2023, subject to the passing of legislation and the collation of the appropriate data. This will allow them to make a retrospective choice of pension scheme membership for the period 1 April 2015 until 31 March 2022. The choice available in the options exercise will be between the relevant pre-2015 scheme (the "legacy scheme") or remaining in JPS 2015. The original group of McCloud litigants have been transferred back into their legacy schemes from JPS 2015.

In 2018-19, in line with the consultation on the remedy for addressing the discrimination, the accounts included a past service cost of £230m. On 16 July 2020, the government published a consultation on proposed changes which resulted in a £40m reduction in the past service cost for 2019-20.

Following the publication of the response to the consultation, the MoJ has confirmed that excess member contributions will not be refunded for years out of scope for tax adjustments, i.e. pension contributions will be preserved for out of scope years. This affects 2015-16 for claimants and 2015-16 to 2017-18 for non-claimants. As a result, a negative past service cost of £10m was included in the accounts for 2020-21 and a further £3m negative past service cost was included for 2021-22.

Further details of the valuation of the liability, the key assumptions and uncertainties are provided in note 14.

Membership Statistics

JPS 2022 (salaried and fee-paid)	Active members	Active salary link members	Deferred members	Pensioner members	Total membership
Members at 31 March 2022	-	-	-	-	-
Members at 1 April 2022	7,350	-	-	-	7,350
New joiners (incl. late notifications and new joiners following McCloud judgment)	484	3	-	-	487
Active members moving to salary linked	(139)	139	-	-	-
Leavers opting out - no liability	(111)	-	-	-	(111)
Members who became true deferred	(40)	-	40	-	-
Members who retired (incl. pension credit)	(108)	-	-	108	-
Members who died	(10)	-	-	-	(10)
New spouse and children's pensions	-	-	-	1	1
Active members who took trivial commutation	(13)	-	-	-	(13)
Members at 31 March 2023	7,413	142	40	109	7,704

JPS 2015 (salaried and fee-paid)	Active members	Active salary link members	Deferred members	Pensioner members	Total membership
Members at 31 March 2022	1	5,053	149	68	5,271
New joiners (incl. late notifications)	-	651	-	-	651
Transferred out	-	-	(1)	-	(1)
Active members reinstated to JUPRA/FPJPS 2017, following McCloud judgment	-	(51)		-	(51)
Members who became true deferred	-	(67)	67	-	-
Members who retired (incl. pension credit)	(1)	(16)	-	17	-
Members who died	-	(6)	-	-	(6)
New spouse and children's pensions	-	-	-	5	5
Other adjustments	-	-	3	(2)	1
Members at 31 March 2023	-	5,564	218	88	5,870

JUPRA and JPA 1981 schemes (salaried)	Active members	Active salary link members	Deferred members	Pensioner members	Total membership
Members at 31 March 2022	18	1,162	42	2,790	4,012
New joiners (incl. late notifications and new joiners following McCloud judgment)	-	2	-	-	2
Transferred to active, following McCloud judgment	-	2	-	-	2
Members who became true deferred	-	(10)	10	-	-
New pension credit members	-	-	3	-	3
Members who retired (incl. pension credit)	(18)	(105)	(5)	128	-
Members who died	-	(2)	-	(97)	(99)
New spouse and children's pensions	-	-	-	57	57
Pensions ceased/suspended	-	-	-	(2)	(2)
Other adjustments	-	-	(2)	(1)	(3)
Members at 31 March 2023	-	1,049	48	2,875	3,972

Fee-Paid Judicial Pension Scheme 2017	Active members	Active salary link members	Deferred members	Pensioner members	Total membership
Members at 31 March 2022	10	3,721	268	1,939	5,938
New joiners (incl. late notifications)	-	11	1	-	12
Members who became true deferred (incl. pension credit)	-	(61)	61	-	-
Members who retired (incl. pension credit)	(8)	(203)	(12)	223	-
Members who died	-	(12)	-	(17)	(29)
New spouse and children's pensions	-	-	-	25	25
Pensions ceased/suspended	-	-	-	(8)	(8)
Other adjustments	(2)	-	(34)	64	28
Members at 31 March 2023	-	3,456	284	2,226	5,966

The majority of members moved automatically into the JPS 2022 with effect from 1 April 2022 and therefore their last day in their legacy pension schemes was 31 March 2022. This moves those members to “Active salary linked” in their legacy schemes. Those members that did not move into JPS 2022 (due to retirement/leaving on 1 April 2022), still remained as “Active” on 31 March 2022.

External Audit

These financial statements have been audited by the NAO 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 (2021-22: £nil). The notional cost for the audit of these financial statements in 2022-23 is £128,000 (2021-22: £109,000) and is accounted for in the MoJ Annual Report and Accounts 2022-23.

Events after the reporting period

In accordance with the requirements of IAS 10 ‘Events After the Reporting Period’, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

On 1 April 2023 the Judicial Pensions (Fee-Paid Judges) (Amendment) Regulations 2023 came into force, allowing for all qualifying past service of fee paid members of the judiciary to be eligible for a pension. The amendment regulations now allow for pension payments to be made by the JPS (rather than as payment in lieu of pension by MoJ) for service from the date of a fee paid judge’s appointment.

In relation to the remedy for the McCloud litigation, the Judicial Pensions (Remedial Service etc) Regulations 2023 were laid in Parliament on 15 May 2023 and came into effect on 5 July 2023. These regulations form part of the remedy following the 2018 Court of Appeal decision, in McCloud v MoJ, that the transitional protections for older judges in the ‘2015 schemes’, which includes Judicial Pension Scheme 2015 (JPS 2015) and Northern Ireland Judicial Pension Scheme 2015 (NIJPS), constituted unlawful direct age discrimination, and indirect race and sex discrimination. These regulations are required to implement additional, technical aspects of the McCloud remedy provided by the Public Service Pensions and Judicial Offices Act.

In December 2021 the British Medical Association and Fire Brigade Union filed a joint judicial review against the Government on the inclusion of the McCloud remedy cost within the cost control mechanism. Following an initial High Court decision which dismissed the application on 10 March 2023, the claimants sought permission to appeal from the Court of Appeal. This appeal was granted on 26 May 2023. Even if the judicial review is successful, it is unclear what remedy the court may order, and the Government would then need to consider how to proceed following that. Any attempt to predict such outcomes, such as any impact on scheme liabilities, would be highly speculative at this stage.

There were no other events between the end of the reporting period and the date the financial statements were authorised for issue that would be considered to significantly affect these accounts.

Information for Members

Managers
Accounting Officer:
Permanent Secretary, Ministry of Justice, 102 Petty France, London, SW1H 9AJ

JPS Manager Representative:
Director, Financial Management and Control, Ministry of Justice, 102 Petty France, London, SW1H 9AJ

Administrators & Advisers
Pension Administrators: Xafinity Punter Southall Administration Ltd
Registered Office: Phoenix House, 1 Station Hill, Reading, RG1 1NB
Scheme Actuary: Government Actuary’s Department, Finlaison House, 15-17 Furnival Street, London, EC4A 1AB

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

Providers of external Additional Voluntary Contributions: Prudential Plc - Laurence Pountney Hill, London, EC4R 0HH. Utmost Life and Pensions Ltd – Walton Street, Aylesbury, Bucks, HP21 7QW

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

Appointing or Administering Bodies
As at 31 March 2023 the following bodies participated in the JPS:

- HM 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

Further Information
Any enquiries about the JPS should be addressed to judicialpensions@justice.gov.uk, or by post to:

Judicial Pensions Scheme
Pensions Operations Team
Third Floor
10 South Colonnade
Canary Wharf
London E14 4PU

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

Antonia Romeo
Accounting Officer

Date: 10 July 2023

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 Scheme (JPS) as at 31 March 2023, and the movement in the scheme liability over the year 2022-23, prepared in accordance with the requirements of Chapter 12 of the 2022-23 version of the Financial Reporting Manual.

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 2020 based on the data provided as at 31 March 2020 and rolling forward that liability to 31 March 2023.

Membership data

Tables A to C summarise the principal membership data as at 31 March 2020 used to prepare this statement.

Table A – Active members

	Number	Total pensionable pay* (p.a.) £ m
Males	6,054	234.0
Females	3,971	134.4
Total	10,025	368.4

* Pensionable pay is the actual figure.

Table B – Deferred members

	Number	Total deferred pension* (p.a.) £ m
Males	91	0.6
Females	54	0.3
Total	145	0.9

* Pension amounts include the pension increase granted in April 2020.

Table C – Pensions in payment

	Number	Annual pension* (p.a.) £ m
Males	2,710	109.2
Females	593	17.7
Spouses & dependants	687	16.9
Total	3,990	143.8

* Pension amounts include the pension increase granted in April 2020.

Methodology

The present value of the liabilities as at 31 March 2023 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 2023. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2023 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 2022 in the 2021-22 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 D.

Table D – Principal financial assumptions

Assumption	31 March 2023 p.a.	31 March 2022 p.a.
Nominal discount rate	4.15%	1.55%
Rate of increase in pensions in payment and deferred pensions (assuming CPI inflation)	2.40%	2.90%
Rate of general pay increases	3.65%	4.15%
Real discount rate in excess of:		
• CPI inflation	1.70%	(1.30)%
• Long–term pay increases	0.50%	(2.50)%
Expected return on assets	n/a	n/a

The assessment of the liabilities allows for the known pension increases up to and including April 2023.

Demographic assumptions

Table E 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 'S3 tables' with the percentage adjustments to those tables derived with reference to scheme experience.

Table E – Post-retirement mortality assumptions

Baseline mortality	Standard table[1]	Adjustment
Males	S3NMA_L	97%
Females	S3NFA_L	93%

These assumptions in Table E above, and the other demographic assumptions such as commutation and family statistics, are in line with those recommended for the 31 March 2020 funding valuation of the scheme. Note that the accounts as at 31 March 2022 were based on the assumptions adopted for the 2016 valuation.

[1] From the 'S3' series of standard tables published by the CMI and based on the experience of self-administered pension schemes. Separate tables are available based on experience of members retiring in normal and ill-health and for dependants.

The current population mortality projections make a short-term allowance for the impact of the COVID-19 pandemic. When deriving the ONS 2020-based mortality improvement projections, a panel of mortality experts gave their views on the impact of the COVID-19 pandemic on mortality rates in the short term. Based on this, short term adjustments were made to the 2019 to 2024 period to allow for estimated deaths in 2021 and an averaging of the experts' views on estimated improvements by age group over this period. Long term rates of future mortality improvement are not projected to change as a result of COVID-19. A death rate from COVID-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain in future accounting periods. I expect that the long-term impact of the COVID-19 pandemic on life expectancy will continue to evolve as experience and evidence emerges into the future.

Mortality improvements are assumed to be in line with the 2020-based projections for the United Kingdom published by the ONS in December 2022. This is a different assumption to that used for the 2021-22 accounts.

Liabilities

Table F summarises the assessed value as at 31 March 2023 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. The liabilities at 31 March 2022 and 2023 both include an allowance for the higher cost of benefits accruing under McCloud.

Table F – Statement of Financial Position

	31 March 2023 £ million	31 March 2022 £ million
Total market value of assets	nil	nil
Value of liabilities	4,584	6,843
Surplus/(Deficit)	(4,584)	(6,843)
of which recoverable by employers	n/a	n/a

Accruing costs

The cost of benefits accrued in the year ended 31 March 2023 (the current service cost) is assessed as 90.3% 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. A current service cost below (or above) the total contribution rate does not indicate that employers and employees have collectively paid contributions more (or less) than the costs of benefits accrued during the year. Members contributed 4.26% (or the opt in lower contribution rate of 3%) 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 G below shows the employer and employee contributions during the year 2022-23 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2022-23 accounts.

Table G – Contribution rate

	2022-23 % of pay	2021-22 % of pay
Employer contributions ([2])	51.1%	51.1%
Employee contributions (average)	4.0%	6.0%
Total contributions	**55.1%**	**57.1%**
Current service cost (expressed as a % of pay)	**90.3%**	**84.0%**

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 and the assumption for future improvements in life expectancy has been updated. 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 2022-23 was £412 million (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2022-23 (at 90.3% of pay) is assessed to be £372 million. This includes an allowance for the higher cost of benefits accruing over the year under McCloud.

The current service cost of £372 million can be split as follows:

- Consolidated Fund: £167 million (45%)
- Vote: £205 million (55%)

Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. An overall negative past service cost (ie a past service gain) of £142 million has been determined in respect of the additional liabilities. This reflects a past service gain of c.£154 million mainly in relation to updated membership data for the O'Brien and Miller liabilities and a past service cost of £12 million for an unrelated litigation case.

I am not aware of any events that have led to a material settlement or curtailment gain or loss over 2022-23.

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 2023 of changes to the most significant actuarial assumptions.

[2] In addition, employers contributed 0.25% of pay in respect of expenses.

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 H shows the indicative effects on the total liability as at 31 March 2023 of changes to these assumptions (rounded to the nearest 0.5%). The discount rate sensitivity shown implies a scheme duration of c. 13 years.

Table H – Sensitivity to significant assumptions

Change in assumption		**Approximate effect on total liability**	
Financial assumptions			
(i) discount rate*:	+0.5% p.a.	- 6.0%	- £275 million
(ii) (long-term) earnings increase*:	+0.5% p.a.	+ 1.0%	+ £46 million
(iii) pension increases*:	+0.5% p.a.	+ 5.5%	+ £252 million
Demographic assumptions			
(iv) additional 1 year increase in life expectancy at retirement		+ 3.5%	+ £161 million

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

Ken Starr FIA
Actuary
Government Actuary's Department
29 June 2023

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 income and expenditure, financial position 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 accounts, 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 judgments and estimates on a reasonable basis
- state whether applicable accounting standards, as set out in the FReM, have been followed and disclose and explain any material departures in the financial statements
- prepare the accounts 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 JPS are set out in Managing Public Money, published by HM Treasury.

Statement on the disclosure of relevant audit information

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that JPS' auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Accounting Officer Confirmation

Based on the assurances received through the arrangements outlined within the Governance Statement below, 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 judgments required for determining that it is fair, balanced and understandable.

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

As 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 for the JPS with functions in relation to administration exercised by the MoJ Director of Financial Management and Control. The MoJ Director of Financial Management and Control is supported in this role by the pensions' operations team under the authority of the Chief Operating Officer.

Purpose of the Governance Arrangements

The governance arrangements are designed to ensure that JPS outcomes are delivered, and that associated risks are managed to a reasonable level and in line with the JPS regulations. Overall, the governance arrangements are 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
- manage them efficiently, effectively and economically

In particular, governance arrangements are designed to safeguard against fraud and to minimise omissions and material errors in the payment of benefits and the receipt of contributions from appointing bodies and JPS members.

The governance arrangements described below were in place for the JPS throughout the year ended 31 March 2023. From 3 April 2023 a new structure of governance was implemented which is described from page 23 below. This has 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 committees:

- Judicial Pension Board (JPB)
- Judicial Pension Board Administration Committee (JPBAC)
- Judicial Pension Scheme Advisory Board (JPSAB)
- Judicial Pension Board Dispute Resolution Committee (JPBDRC)
- Pensions Operations Delivery Board (POD) (until 31 Mar 2023)
- Judicial Pension Scheme Delivery Board (from 1 April 2023)
- Judicial Pension Scheme Finance Committee (JPSFC)

Each of these is described below.

In addition, the following MoJ board and committees support the overall governance, escalation and assurance process for the JPS:

- The Departmental Board
- The Executive Committee
- MoJ Audit and Risk Assurance 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 and four judicial representatives including one from either the Scottish Government or the Department of Justice (Northern Ireland). Any conflicts of interest by JPB members are raised at the start of meetings. There were no conflicts of interest to declare during the year.

The JPB exercises its responsibilities in relation to all the JPS as set out in its terms of reference. The JPB terms of reference can be viewed 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
- 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 with a minimum of five members, including two members from the employer and scheme membership which are required to form a quorum. Attendance at the meetings is shown below. The JPB met on the following dates during the year under review:

- 6 June 2022
- 13 October 2022
- 12 December 2022
- 15 March 2023

The JPB provides an annual report to the scheme manager to provide 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 an annual basis to ensure that all members are adequately meeting their duties. This is undertaken by the independent chair, supported by the pensions' operations team.

The Northern Ireland Judicial Pension Board (NIJPB) has scope over the devolved judiciary in Northern Ireland. Under an administrative arrangement with the MoJ, devolved members of JPS who 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 table below shows the attendance at those meetings taking place between 1 April 2022 and 31 March 2023.

Members	JPB
Independent Chair	
Ellen Kelleher (interim chair effective from June 2021 to 13 October 2022, remained on board until 12 December 2022)	3 of 3
Christina Blacklaws – new chair (from 14 October 2022)	2 of 2
Independent Members	
Russell Agius (from 6 September 2022)	3 of 3
Kim Brown (from 1 May 2022)	3 of 4
Jo Maguire (from 1 May 2022)	4 of 4
Susan Andrews – role ceased in June 2022	1 of 1
Judicial Members	
His Honour Judge Miller (role effective from 1 January 2023)	1 of 1
Her Honour Judge Katherine Moore (from 6 June 2022)	3 of 4
Mr Justice Trower	2 of 4
Professor Stephen Hardy	2 of 4
The Honourable Lady Morag Wise (term ended 31 December 2022)	3 of 3
Employer Members	
Simon Masterson (term ended 1 March 2023)	2 of 3
Elaine Topping (joined 4 April 2022)	4 of 4
Sarah Wallace	2 of 4
Henry Young	3 of 4

JPB members receive training to enable them to perform their role as Board members.

The Judicial Pension Board Administration Committee (JPBAC)

The JPBAC oversees and reviews arrangements relating to the administration of the JPS including operational processes. The JPBAC is supported by the MoJ in relation to JPS operational matters. JPBAC meets regularly to discuss operational issues in more detail with the pension's operations team and representatives from XPS. Any conflicts of interests by JPBAC members are raised at the start of meetings. There were no conflicts of interest to declare during the year.

During 2022-23 the JPBAC met on the following dates:

- 25 April 2022
- 25 July 2022
- 24 October 2022
- 7 February 2023

In the year under review, each JPBAC member attended the following number of meetings:

- Christina Blacklaws (Interim chair for February 23 meeting) 1 of 1
- Ellen Kelleher (Chair for April 22, July 22 and October 22 meetings) 3 of 3
- Jo Maguire 3 of 4
- Simon Masterson 3 of 4
- Mr Justice Trower 2 of 4
- Kim Brown (from 1 May 2022) 2 of 3
- Sarah Wallace 3 of 4
- Susan Andrews (role ceased June 2022) 1 of 1

The JPBAC terms of reference can be viewed at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/833193/jpb-admin-comm-tor.pdf

The Judicial Pension Scheme Advisory Board (JPSAB)

The JPSAB advises the Lord Chancellor on the desirability of making changes to the JPS. JPSAB meets at the request of the Lord Chancellor. Any conflicts of interests by JPSAB members are raised at the start of meetings. There were no conflicts of interest to declare during the year.

During the year under review JPSAB members met on the following dates:

- 12 December 2022

The members of the JPSAB are the same as for the JPB. The JPSAB terms of reference can be viewed at: https://www.gov.uk/guidance/judicial-pension-scheme-advisory-board-terms-of-reference

Judicial Pension Board Dispute Resolution Committee (JPBDRC)

The JPBDRC supports the JPB in the settlement of claims under the JPS internal dispute resolution procedure and receives referrals under the Judicial Pensions (Appeals) Regulations 1995.

The JPBDRC is comprised of an independent chair, one independent member, one employer member and one-member representative. Any JPB member may sit on the JPBDRC provided the JPBDRC is quorate. Any conflicts of interests by JPBDRC members are raised at the start of meetings. There were no conflicts of interest to declare during the year.

The JPBDRC met on the following dates during the year under review:

- 21 April 2022
- 16 August 2022
- 28 October 2022

The JPBDRC terms of reference can be viewed at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/833194/jpb-dispute-resol-comm-tor.pdf

Pensions Operations Delivery Board (POD)

POD was an internal MoJ board responsible for oversight and decision making across all work of the judicial pensions operations team within MoJ. This included oversight of:

- Operational delivery of the Judicial Pension Reform Programme
- Wider pensions operations change projects; and
- BAU administration of the Judicial Pensions Schemes and management of the third-party contract on behalf of the Lord Chancellor. POD is chaired by the Deputy Director, Pensions Operations and membership comprises senior leaders from across operational, policy and commercial teams. POD meets monthly.

POD met on the following dates in the year under review:

- 7 April 2022
- 5 May 2022
- 14 June 2022
- 28 July 2022
- 25 August 2022
- 29 September 2022
- 10 November 2022
- 14 December 2022
- 19 January 2023
- 9 February 2023
- 9 March 2023

There was no meeting in October 2022. POD's final meeting was 9 March 2023, and it was disbanded on 31 March 2023. Its responsibilities have been taken up by the Judicial Pension Scheme Delivery Group referred to below.

Judicial Pension Scheme Delivery Board (JPSDB)

The purpose of the JPSDB is to support senior leaders by providing overall direction and management for the JPS Administration project and the JPS Data Transformation and Delivery Project. It is chaired by the Director of MoJ Financial Management and Control. The JPS Delivery Board is now the primary decision-making forum for the JPS along with overall responsibility for the effective running of these projects; ensuring that they are delivered to time, cost and quality and that the outputs/ benefits are achieved and maximised. The JPSDB first met on 25 April 2023 and will meet monthly.

The Judicial Pension Scheme Finance Committee (JPSFC)

The JPSFC is responsible for the financial governance of the JPS and is chaired by the Deputy Director, Financial Reporting, Transactions and Governance. In addition to the chair, the JPSFC is supported by one advisor and nine members from the MoJ.

The role and responsibilities of JPSFC includes providing:

- assurance to the delegated scheme manager and to me as the 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 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 and 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.

The committee meets formally as required. The JPSFC met on the following dates in the year under review:

- 13 May 2022
- 18 May 2022
- 4 November 2022
- 16 March 2023

Executive Committee

I chair the Executive Committee (ExCo). It is the executive leadership team for the MoJ and is comprised of senior officials. The committee ensures that the department is fully aligned with the strategic direction set by the Secretary of State, maintains and directs the capabilities to deliver, oversees the delivery of outcomes and prioritises and allocates financial and other resources.

MoJ Audit and Risk Assurance Committee (ARAC)

The MoJ ARAC is chaired by Paul Smith, an independent non-executive member of the departmental board. As at 31 March 2023 the committee was comprised of four non-executive directors and an independent member.

The committee receives reports and updates on the JPS from the National Audit Office and the Government Internal Audit Agency. The committee has reviewed the JPS Annual Report and Accounts which includes the Annual Governance Statement as required by HM Treasury's Managing Public Money Annex 3.1.

Quality of information

JPS recognises the need to ensure the Judicial Pensions Board (JPB) and other supporting committees, receive sound advice and information to enable informed decisions to be made. The JPB secretariat ensures the information provided is of a good quality and uses a template for the board papers which is structured to ensure risks and resource implications are highlighted and to ensure sufficient engagement and challenge during discussions. The JPB was content that the information and data provided was adequate, timely and comprehensive.

Referral to The Pensions Regulator (TPR)

In line with the TPR Code of Practice No 14, the JPB submits reports to TPR where material breaches of law occur.

Whilst not a material breach, in the year between 1 April 2022 and 31 March 2023 MoJ reported to TPR a breach of the law regarding a small number of late annual benefit statements and pension saving statements for 2021-22. TPR confirmed that no further action would be taken as the breach was not material. MoJ has implemented a number of new processes and controls to mitigate this occurring in future.

Referral to The Pension Ombudsman

There are currently 7 active cases with the Pension Ombudsman which are awaiting their determination. These have been raised by members in relation to the JPS which pre-date 2022-23.

Pension Administration

The pensions operations team manages and monitors the performance of XPS under the contract, working with the MoJ Commercial & Contract Management Directorate and JPB to strengthen and develop the core contract management function and support the strategic operations of the JPS administrator.

Corporate Governance Code

The scheme complies with HM Treasury's Corporate Governance Code as far as it is applicable and achieves transparent and effective governance through the work of the bodies listed above.

Whistleblowing

Whistleblowing is covered in the JPB's policy on reporting breaches of the law. There were no whistleblowing reports during the year.

Risk Assessment and Management

The MoJ 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 and analysed and recorded in a risk register, which is regularly reviewed by the JPB and JPBAC. The risk register covers issues such as operational risk, administrative issues, third party contracts, data quality, data protection, technological change and the effects of implementing litigation outcomes.

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

The Government Internal Audit Agency (GIAA), as part of the agreed annual audit programme, carried out an internal audit of the Judicial Pension Scheme (JPS) Reform Programme Data Assurance, and its report was issued in February 2023. The report has made an evaluation of a 'moderate' rating meaning that "*some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control*". They also made a number of recommendations. These are future-focused, with a view to strengthening processes within the data and claims team. Senior pensions operations managers in MoJ will produce an action plan to deliver the recommendations.

There were no ministerial directions given and no personal data-related incidents reported to the Information Commissioner's Office during 2022-23.

Significant Risks and Issues

There are no significant risks and issues affecting the scheme at the end of 2022-23.

Review of Effectiveness

As Accounting Officer, I am responsible for ensuring there is an effective process in place for monitoring and reporting governance issues during the year. I am supported by the MoJ Director of Financial Management and Control who has responsibility for supporting the development and maintenance of the governance framework and has provided me with assurance to prepare this governance statement, on behalf of the scheme manager.

The scheme manager is supported by the Judicial Pensions Board. The Board assists in ensuring that the JPS complies with regulations and securing compliance with the requirements of the Pensions Regulator. It has oversight on behalf of the scheme manager on internal control procedures, contributing to the planning of risk management and audit programmes, as well as making and reviewing progress on recommendations as appropriate. Independent assurance also comes from both external and internal auditors. Governance arrangements of schemes are regularly reviewed to ensure their on-going effectiveness.

Conclusion

Based on the information and assurance I have been given, I am satisfied that the governance, risk management and assurance arrangements in place are fit for purpose in supporting the JPS.

This Statement applies to the JPS only. The Governance Statement for the MoJ is available as part of the MoJ Annual Report and Accounts for 2022-23, which is published on the MoJ website.

Antonia Romeo
Accounting Officer

Date: 10 July 2023

PARLIAMENTARY ACCOUNTABILITY

Statement of Outturn against Parliamentary Supply (Audited)

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the JPS to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes.

The SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SOPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their supply estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SOPS mirrors the supply estimate, published on GOV.UK, to enable comparability between what Parliament approves and the final outturn.

The SOPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn won't exactly tie to cash spent) and administration.

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (note 1), a reconciliation of outturn to net operating expenditure in the SOCNE, to tie the SOPS to the financial statements (note 2); a reconciliation of outturn to net cash requirement (note 3) and an analysis of income payable to the Consolidated Fund (note 4).

The JPS has no capital outturn so there is no requirement for SOPS note 1.2.

The financial review, in the Report of the Managers, provides a summarised discussion of outturn against estimate.

Summary of Resource and Capital Outturn 2022-23

Type of spend	SoPS note	Outturn			Estimate			Outturn vs Estimate Savings (excess)		Prior Year Outturn Total 2021-22
		Voted	Non-voted	Total	**Voted**	Non-voted	Total	**Voted**	Total	Total
		£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**	£'000	£'000
Departmental Expenditure Limit										
- Resource		**-**	-	-	**-**	-	-	**-**	-	-
- Capital		**-**	-	-	**-**	-	-	**-**	-	-
Annually Managed Expenditure										
- Resource	1.1	**(55,862)**	167,000	111,138	**202,700**	167,000	369,700	**258,562**	258,562	228,342
- Capital		**-**	-	-	**-**	-	-	**-**	-	-
Total budget expenditure		**(55,862)**	167,000	111,138	**202,700**	167,000	369,700	**258,562**	258,562	228,342
Total non-budget expenditure		**-**	-	-	**-**	-	-	**-**	-	-
Total expenditure		**(55,862)**	167,000	111,138	**202,700**	167,000	369,700	**258,562**	258,562	228,342

Figures in the areas outlined in bold cover the voted control limits voted by Parliament. Refer to the Supply Estimates guidance manual, available on gov.uk, for detail on the control limits voted by Parliament.

Net cash requirement 2022-23

		2022-23			2021-22
		Outturn	**Estimate**	**Outturn vs Estimate: saving/ (excess)**	**Outturn**
	Note				
		£'000	£'000	£'000	£'000
Net cash requirement	SOPS 3	(126,212)	(104,000)	22,212	(123,018)

Administration costs 2022-23

		2022-23			2021-22
		Outturn	**Estimate**	**Outturn vs Estimate: saving/ (excess)**	**Outturn**
	Note	£'000	£'000	£'000	£'000
Administration costs		-	-	-	-

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Notes to the Statement of Outturn against Parliamentary Supply, 2022-23 (Audited)

SOPS 1. Outturn detail, by Estimate Line

SOPS 1.1 Analysis of Resource Outturn by Estimate Line

	2022-23											2021-22
Type of spend (Resource)	**Resource outturn**							**Estimate**				**Outturn**
	Administration			**Programme**								
	Gross	Income	Net	Gross	Income	Net	Total	Total	Virements	Total inc. virements	Outturn vs Estimate: savings/ (excess)	Prior year outturn total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in Annually Managed Expenditure (AME):												
Voted expenditure	-	-	-	177,366	(233,228)	(55,862)	(55,862)	202,700	-	202,700	258,562	85,342
Non-voted expenditure	-	-	-	167,000	-	167,000	167,000	167,000	-	167,000	-	143,000
Total spending in AME	**-**	**-**	**-**	**344,366**	**(233,228)**	**111,138**	**111,138**	**369,700**	**-**	**369,700**	**258,562**	**228,342**

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, in 2022-23 total expenditure for the JPS was £259m less than the total budgeted amount within the Supplementary Estimate. The JPS budget is all Annually Managed Expenditure (AME), which is inherently difficult to forecast as it includes on-going litigation cases and actuarial costs which are unpredictable and not known until year-end. Therefore an allowance is made in the supply estimate to cover unexpected costs. The main reasons for the difference are:

- a past service gain of £142m has been calculated by GAD this year mainly due to a reduction in liability for the O'Brien and Miller litigation, due to new data provided in year, against a forecast of a past service cost of £50m. This results in an overall movement of £192m
- an amount of £50m was budgeted to cover expected on-going litigation cases. As these have not been finalised in year, there is no resulting cost to JPS
- a reduction of £7m in current service costs (forecast compared to actual cost), i.e., the accruing cost of pensions in the year, which is driven by variations in the pensionable payroll

SOPS 2. Reconciliation of Outturn to Net Operating Expenditure

The total resource outturn in the SOPS is the same as net operating expenditure in the Statement of Comprehensive Net Expenditure (SoCNE) so no reconciliation to net operating expenditure is required.

SOPS 3. Reconciliation of Net Resource Outturn to Net Cash Requirement

	2022-23		
	Outturn	Estimate	Net Total Outturn compared with estimate: saving/ (excess)
	£'000	£'000	£'000
Resource outturn	111,138	369,700	258,562
Accruals adjustments:			
Non-cash items – Current Service, Past Service and Interest costs	(170,000)	(369,700)	(199,700)
Non-cash items – Contributions receivable directly by the Consolidated Fund	(422)	-	422
Non-cash items – Income attributable to Judiciary at the Corporation of London	205	-	(205)
Changes in working capital:			
(Increase)/decrease in receivables	(419)	-	419
(Increase)/decrease in payables	(5,459)	-	5,459
Enhancements and transfers in	(4,086)	-	4,086
Movements in provisions:			
Provisions	-	(50,000)	(50,000)
Use of pension provision	109,831	113,000	3,169
Removal of non-voted budget items:			
Consolidated Fund Standing Services	(167,000)	(167,000)	-
Other adjustments	-	-	-
Net cash requirement	**(126,212)**	**(104,000)**	**22,212**

As noted in the introduction in the SOPS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource outturn to the net cash requirement.

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 4. Amounts of Income to the Consolidated Fund

SOPS 4.1 Analysis of Income payable to the Consolidated Fund

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

	2022-23 Outturn		2021-22 Outturn	
	Accruals £'000	*Cash basis £'000*	Accruals £'000	*Cash basis £'000*
Excess cash receipts surrenderable to the Consolidated Fund	126,212	*126,212*	123,018	*123,018*
Total income payable to the Consolidated Fund	**126,212**	*126,212*	**123,018**	*123,018*

SOPS 4.2. Consolidated Fund income

As the department does not collect income as an agent of the Consolidated Fund SOPS Note 4.2 is not required.

PARLIAMENTARY ACCOUNTABILITY DISCLOSURES

Regularity of expenditure (Audited)

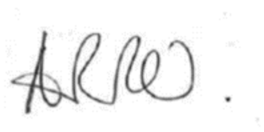
The following two sections are included to satisfy parliamentary reporting and accountability requirements and are subject to audit.

Losses and special payments (Audited)

There are no losses or special payments in the accounts.

Remote contingent liabilities (Audited)

There are no material remote contingent liabilities.



Antonia Romeo
Accounting Officer

Date: 10 July 2023

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 Pension Scheme ("the Scheme") for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000.

The Scheme's financial statements comprise:

- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Scheme's affairs as at 31 March 2023 and its net expenditure for the year then ended; and
- 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 Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2023 and shows that those totals have not been exceeded; and
- the income and expenditure 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law, Practice Note 15 (revised) *The Audit of Occupational Pension Schemes in the United Kingdom* and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. 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 2019*. I am independent of the Scheme in accordance with the ethical requirements that are relevant to my audit of 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.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Scheme's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Scheme is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report and Parliamentary Accountability and Audit Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000 and;
- the information given in the Accountability Report and Parliamentary Accountability and Audit Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Scheme and its environment obtained in the course of the audit, I have not identified material misstatements in the Accountability Report and Parliamentary Accountability and Audit Report.

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

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:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Scheme from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;

- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- ensuring that the Annual Report is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Permanent Secretary as Accounting Officer anticipates that the services provided by the Scheme will not continue to be provided in the future.

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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Scheme's accounting policies and key performance indicators.
- inquired of management, the Scheme's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Scheme's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Scheme's controls relating

to compliance with the Government Resources and Accounts Act 2000, Managing Public Money, the Judicial Pensions Act 1981, the Judicial Pensions and Retirement Act 1993, the Judicial Pensions Regulations 2015, the Judicial Pensions (Fee-Paid Judges) Regulations 2017, the Judicial Pensions Regulations 2022 and the Public Service Pensions Act 2013, and the regulations set down by The Pensions Regulator;

- inquired of management, the Scheme's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team and the relevant external specialists, including actuarial specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Scheme for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates, the selection of inappropriate assumptions or methodology unpinning the pensions liability and related estimates and the payment of benefits to ineligible members. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Scheme's framework of authority and other legal and regulatory frameworks in which the Scheme operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Scheme. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Supply and Appropriation (Main Estimates) Act 2022, Managing Public Money, the Judicial Pensions Act 1981, the Judicial Pensions and Retirement Act 1993, the Judicial Pensions Regulations 2015, the Judicial Pensions (Fee-Paid Judges) Regulations 2017, the Judicial Pensions Regulations 2022 and the Public Service Pensions Act 2013 and the regulations set by The Pensions Regulator.

I considered the control environment in place at the Scheme, the administrator and the scheme actuary in respect of membership data, the pension liability, contributions due and benefits payable.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;

- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business;
- I performed substantive testing of contributions received and benefits paid in the year to test compliance with laws and regulations and regularity;
- I engaged an auditor’s expert to assess and challenge the actuarial methods and assumptions used by the scheme actuary, and reviewed the expert’s report undertaking further procedures as necessary; and
- I reviewed significant correspondence with The Pensions Regulator.

I also communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor’s responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted 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 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.

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 I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

Date 12 July 2023

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 2023

		2022-23		2021-22	
	Note	£'000	£'000	£'000	£'000
Income					
Contributions receivable	3	(229,105)		(220,871)	
Other pension income	4	(1,035)		(961)	
Transfers in	7	(3,088)		(5,521)	
Transfers out	14g	0		122	
			(233,228)		(227,231)
Expenditure					
Current service cost	5	372,000		323,000	
Past service cost	5	(142,000)		42,000	
Pension financing cost	8	107,000		80,000	
Transfers in & transfers out	7 &14g	3,088		5,399	
Enhancements	6	998		1,769	
Payment to HMRC for JPS 2015 Scheme		2,245		2,444	
Administration expenses	9	1,035		961	
			344,366		455,573
Net Expenditure			111,138		228,342
Other Comprehensive Net Expenditure					
Recognised gains and losses for the financial year:					
Other actuarial re-measurement	14h		(2,397,000)		277,000
Total Comprehensive Net Expenditure for the year ended 31 March 2023			**(2,285,862)**		**505,342**

The notes on pages 47 to 64 form part of these accounts

Statement of Financial Position
as at 31 March 2023

	Note	31 March 2023		31 March 2022	
		£’000	£’000	£’000	£’000
Current Assets					
Receivables	11	21,262		21,680	
Cash and cash equivalents	12	38,319		44,058	
Total current assets			59,581		65,738
Current Liabilities					
Payables (within 12 months)	13	(57,294)		(57,573)	
Total current liabilities			(57,294)		(57,573)
Net current assets			2,287		8,165
Non-current liabilities					
Total pension liability	14e		(4,584,332)		(6,842,823)
Provisions			-		-
Net liabilities			**(4,582,045)**		**(6,834,658)**
Taxpayers’ equity:					
General fund			(4,582,045)		(6,834,658)
			(4,582,045)		**(6,834,658)**

Antonia Romeo
Accounting Officer
Date: 10 July 2023

The notes on pages 47 to 64 form part of these accounts

Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2023

	Note	2022-23	2021-22
		£'000	£'000
Balance at 31 March		(6,834,658)	(6,296,455)
Consolidated Fund Standing Services:			
Pension payable by the Consolidated Fund - settled	14(f)	90,549	90,209
Pension payable by the Consolidated Fund - accrued	14(f)	2,197	(57)
Contributions payable directly by the Consolidated Fund		422	204
Income attributable to the Judiciary at the Corporation of London		(205)	(199)
CFERs payable to the Consolidated Fund		(126,212)	(123,018)
Comprehensive Net Expenditure for the year		(111,138)	(228,342)
Other actuarial re-measurement - gain/(loss)	14(h)	2,397,000	(277,000)
Balance at 31 March		**(4,582,045)**	**(6,834,658)**

The notes on pages 47 to 64 form part of these accounts

Statement of Cash Flows
for the Year Ended 31 March 2023

	Note	2022-23	2021-22
		£'000	£'000
Cash flows from operating activities:			
Net expenditure for the year	SOCNE	(111,138)	(228,342)
Adjustments for non-cash transactions:			
Contributions payable/(receivable) by the Consolidated Fund		422	204
Income attributable to Judiciary at the Corporation of London		(205)	(199)
(Increase)/decrease in receivables		419	3,090
Decrease/(increase) in payables		5,459	(69)
Increase in pension provision - Voted	5 & 8	170,000	303,328
Increase in pension provision – non-Voted	5	167,000	141,672
Use of provisions – pensions payable by Vote	14f	(109,831)	(103,834)
Use of provisions – pensions payable by non-Voted	14f	(90,549)	(90,209)
Enhancements, transfers in & transfers out	6,7&14g	4,086	7,168
Net cash inflows from operating activities		**35,663**	**32,809**
Cash flows from financing activities:			
Consolidated Fund Standing Services		90,549	90,209
Net Financing		**90,549**	**90,209**
Net increase in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund		**126,212**	**123,018**
Payment of amounts due to the Consolidated Fund – current year		(89,171)	(80,595)
Payment of amounts due to the Consolidated Fund – prior year		(42,422)	(38,532)
(Decrease) / Increase in cash held on behalf of the Consolidated Fund		(358)	(3,467)
Net (decrease)/increase in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund		**(5,739)**	**424**
Cash and cash equivalents at the beginning of the year	12	44,058	43,634
Cash and cash equivalents at the end of the year	12	**38,319**	**44,058**

The notes on pages 47 to 64 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation of the JPS Financial Statements

The financial statements of the Judicial Pensions Scheme (JPS) have been prepared in accordance with the relevant provisions of the 2022-23 Government Financial Reporting Manual (FReM), issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector. IAS 19 *Employee Benefits* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans* are of particular relevance to these statements.

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

1.1 Judicial Pensions Scheme (JPS)

The Judicial Pensions Scheme consisted of final salary schemes and a career average scheme which were contracted out until 6 April 2016. These schemes are now closed to new members following the introduction of a new reformed pension scheme on 1 April 2022 (JPS 2022). JPS 2022 and the historic pension schemes are unfunded pay-as-you-go occupational pension schemes. These schemes are administered by an external service provider Xafinity Punter Southall Administration Limited (XPS), formerly PS Administration Limited (PSAL), and prior to that Punter Southall Limited, since 6 January 2015. The JPS 2022 is open to members of the judiciary who satisfy the membership criteria.

Contributions to the JPS by employers are set at rates determined by the Government Actuary's Department (GAD) and approved by the Judicial Pensions Board. Contributions to the JPS by members are paid at rates set out in secondary legislation. 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 (MoJ) and reported in that entity's financial statements.

The financial statements of the scheme show the financial position of the JPS at the year end and the income and expenditure during the year. The Statement of Financial Position shows the unfunded net liabilities of the 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 2023 shows a pension liability of £4,584m (2021-22: £6,843m). 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 service 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 2023-24 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 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 policies judged to be most appropriate to the particular circumstances of the JPS, for the purpose of giving a true and fair view, have 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.

2.2 Pension contributions receivable

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

Judges who were members of the 1993 scheme, until it closed on 31 March 2022, paid Dependants' Pension Contributions (DPC) which were accounted for on an accruals basis. Under the 1981 Act, which also closed on 31 March 2022, members could elect to pay DPC (then for spouses only) either throughout their service or through a reduction in their lump sum upon retirement. Where members elected to pay these contributions throughout their service, they were accounted for on an accruals basis.

If a member has no dependants at retirement, then they will receive a refund of DPC from the date on which the member last had a spouse, registered civil partner or eligible children. These refunds are paid with the lump sum on retirement. Personal Pension Contributions (PPC) from members were introduced from 1 April 2012. They are accounted for on an accruals basis.

The judges who were members of the JPS 2015 Scheme paid employee contributions from 1 April 2015, until the scheme closed on 31 March 2022. In this scheme there was no distinction between contributions paid for members (PPC) and dependants (DPC) as existed in the 1993 Scheme and no refunds are payable on retirement.

Judges who were members of the FPJPS 2017 Scheme paid employee contributions from 1 April 2017, until the scheme closed on 31 March 2022. Employee contributions for pensionable service before commencement of the scheme were paid by way of lump sum, deductions from fees or deduction from the retirement or death in service lump sum. Where members opt for a reduction in their retirement or lump sum payment, only the actual amount paid is deducted from the pension liability. This scheme approximated the 1993 Scheme as closely as possible and included the DPC contributions and refunds.

Since 1 April 2022, all judges are eligible to be members of JPS 2022. The JPS 2022 mirrors the JPS 2015 in that there is no distinction between contributions paid for members (PPC) and dependants (DPC) as existed in the 1993 scheme and no refunds are payable on retirement.

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

2.3 Other pension income

The MoJ is the manager of the JPS. Within the 51.35% Accruing Superannuation Liability Charges (ASLCs) received from appointing bodies is a 0.25% administration fee recognised as other pension income in these accounts.

2.4 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.

2.5 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 and is assessed as 90.3% of pensionable pay.

2.6 Past service cost/(gain)

The past service cost/(gain) is the increase/(decrease) in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to/(reduction of), retirement benefits, and are recognised in the Statement of Comprehensive Net Expenditure.

2.7 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 1.55% (2021-22: 1.25%) is consistent with the assumptions used for current service costs.

2.8 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 2022-23 is 1.70% per annum (2021-22: -1.30%). The movement is recognised in the Statement of Comprehensive Net Expenditure for the year as advised by HM Treasury.

The last full actuarial valuation was carried out as at 31 March 2020. The value of liabilities as at 31 March 2023 has been assessed by calculating the liability as at 31 March 2020 based on the data provided as at 31 March 2020 and rolling forward that liability to 31 March 2023.

2.9 Provisions

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.

2.10 Pension benefits payable

Pension benefits and lump sums payable on retirement / early retirement / death in service are accounted for as a decrease in the scheme liability on an accruals basis. This is also the case when a member of the JPS is entitled only to a refund of previous contributions paid. Accruals for the lower judiciary are accounted through Note 13 Payables. Accruals for the higher judiciary are accounted for through reserves as higher judiciary benefits payable are funded through the Consolidated Fund.

Where there is choice of retirement date, pension payments and lump sums due on retirement / early retirement are recognised as the later of the period in which the member retires or the period in which the MoJ is notified by the Judicial Office, via the pensions administrator (XPS), of the member's decision to retire. If there is no member choice, i.e., where a member reaches the maximum retirement age, pension payments and lump sums are recognised in the period in which the date of retirement falls. Pension payments and lump sums due following a death in service are recognised in the period in which the death certificate has been received.

2.11 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.

2.12 Administration fees

Scheme administration for the JPS is carried out by Xafinity Punter Southall (XPS). XPS operate governance and internal control arrangements, which are independently audited on an annual basis. The costs of XPS are paid by MoJ.

This is overseen by staff from the pensions operations team, part of the MoJ financial management and control directorate. The costs of the pensions operations team are paid by the MoJ.

To cover these costs, the JPS is authorised by HM Treasury to pay the MoJ 0.25% of the 51.35% Accrued Superannuation Liability Charges (ASLC) received. In 2022-23 this amounts to £1,035k (2021-22: £961k). The payments have been reported in the MoJ's accounts.

2.13 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.

2.14 New and amended accounting standards adopted

No new or amended standards were adopted in the financial year beginning 1 April 2022.

2.15 Accounting standards issued but not effective

IFRS 17: Insurance Contracts will be adopted from 1 April 2025. This standard is not expected to have any impact on the accounts as the JPS holds no contracts falling within scope of the new standard.

2.16 Significant judgments and estimates

The valuation of provisions and liabilities relies on the application of professional judgment, historical experience and other factors expected to influence future events. The liability recognised in these accounts in relation to the O'Brien and Miller cases is derived from financial models based on the best available data, including actual fee-paid service records, previous pension claims, actual payments in lieu of pension payments made during 2022-23 and historic records of office holders, which have been evaluated and reviewed.

This liability represents an approximation of the additional cost of pension entitlement for service incurred prior to 7 April 2000 and for all eligible fee-paid service in relation to potential new claimants. The eventual value of these liabilities may differ significantly from the values recognised in these accounts. Further information including the carrying amounts is set out in Note 14(e). This is consistent with the main pension liability which is also a significant estimate.

3. Pension contributions receivable

	2022-23	2021-22
	£'000	£'000
Employers; appointing bodies:		
Accruing Superannuation Liability Charges (ASLCs)	211,448	196,364
Employees; judicial officeholders:		
Normal contributions - Personal Pension Contributions (PPCs)	16,659	22,738
Purchase of added years - internal JPS AVC's only	998	1,769
	229,105	**220,871**

Employees' pension contributions include both personal and dependants' contributions. £237 million contributions are expected to be payable to the Scheme in 2023-24.

4. Other Pension Income

	2022-23	2021-22
	£'000	£'000
Administration fees receivable from appointing bodies	1,035	961
	1,035	**961**

5. Current and Past Service Costs

	2022-23	2021-22
	£'000	£'000
Current service cost:		
Judiciary paid from the Vote JPS estimate and pension increases for all judiciary	205,000	180,000
Judiciary paid from the Consolidated Fund (notional expenditure)	167,000	143,000
	372,000	323,000
Past service cost:		
Paid from the Vote JPS Estimate	(142,000)	43,328
Paid from the Consolidated Fund (notional expenditure)	-	(1,328)
	(142,000)	42,000
	230,000	**365,000**

All the service costs are apportioned between vote and consolidated fund (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 lower and higher judiciary. The 2022-23 pension cost has been allocated at 55% vote and 45% consolidated fund (2021-22: 56%:44%).

The past service gain of £142m for 2022-23, relates to a reduction of £154m in the pension liability for O'Brien and Miller litigation, as a result of new data provided, and a past service cost of £12m relating to an estimated increase in liability for another unrelated litigation case. The total past service gain all relates to the lower judiciary and is therefore within the Vote estimate.

6. Enhancements

	2022-23	2021-22
	£'000	£'000
Employees:		
Purchase of added years	998	1,769
	998	**1,769**

7. Transfers in – additional liability

	2022-23	2021-22
	£'000	£'000
Individual transfers from other schemes	3,088	5,521
	3,088	**5,521**

8. Pension financing cost

	2022-23	2021-22
	£'000	£'000
Net interest on defined pension liability	107,000	80,000
	107,000	**80,000**

9. Administration Expenses

	2022-23	2021-22
	£'000	£'000
Administration expenses paid to the MoJ	1,035	961
	1,035	**961**

10. Additional Voluntary Contributions (AVCs)

10.1 AVCs 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) was available to members of the JUPRA, JPS 2015 and FPJPS 2017 schemes and from 1 April 2022 is available to members of the JPS 2022. Members may arrange to have agreed sums deducted from their salaries for onward payment to the approved providers, Utmost Life and Pensions Limited 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 in their account and the movements in the year. There are no members currently investing with Utmost Life during 2022-23.

The aggregate amounts of AVC investments are as follows:

	Utmost Life & Pensions		Prudential	
	2022-23	**2021-22**	**2022-23**	**2021-22 Restated**
	£'000	£'000	£'000	£'000
Movements in the year				
Balance at 1 March / 1 April	-	84	2,530	3,191
New investments	-	-	212	306
Leavers, transfers & withdrawals	-	(90)	-	-
Claims paid	-	-	(638)	(1,089)
Changes in market value of investments	-	6	10	122
Balance at 28 February / 31 March	**-**	**-**	**2,114**	**2,530**

Note: The figures from Utmost Life & Pensions cover the 12-month period from 01/03/22 to 28/02/23, whereas the figures from Prudential cover the 12-month period from 01/04/22 to 31/03/23.

10.2 AVCs – 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 Judicial Added Benefits Scheme (for 1981 Act members only) enables members to increase the level of benefits payable from their main judicial pension scheme.

The Judicial Added Years Scheme (for 1993 Act members only) enables members of the 1993 Scheme to increase the length of service and the benefits at retirement.

The Judicial Added Surviving Spouse's Pension Scheme (for 1993 Act members only) enables members to make contributions that will increase only the level of the contingent surviving spouses or civil partner's pension.

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

10.3 AVCs – JPS 2015

There were two internal AVC arrangements available for members of JPS 2015.

Added Pension Option
Under this arrangement members could pay additional contributions or lump sums to purchase added pension, with the total amount of added pension that a member could purchase subject to limits set by HM Treasury.

Effective Pension Age Option
Members could make periodical payments throughout their service to attain a pension age of up to three years below the member's normal pension age, provided it would achieve an effective pension age of at least 65.

Both of these options closed to new subscribers with effect from 1 April 2022. However, contributions to the Added Pension Option from existing subscribers can continue to be made.

10.4 AVCs – 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 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 XPS within one year of the commencement of the FPJPS on 1 April 2017. Due to delayed implementation, the FPJAYS option remained open for an extended period; the option was closed on 31 March 2020. 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. The FPJPS regulations are being amended to include service prior to 7 April 2000 and a further time limited window will open to allow those eligible to purchase FPJAYS and JASAPS.

10.5 The Pension Partnership Account

This was a tax-registered stakeholder pension arrangement for judges eligible for JPS 2015, administered by Prudential. Members could opt to join the Partnership Pension Account (PPA) instead of joining the JPS 2015. This arrangement is no longer available following the closure of the JPS 2015, as all eligible members have now moved into the JPS 2022.

However, fee-paid members are allowed to submit claims up to March 2023 for sitting days which occurred during 2021-22. As a result, those members that were in the PPA can pay contributions for earnings relating to 2021-22 and contributions of £1,766 were paid to Prudential by PPA members during 2022-23 (2021-22: £36,196).

11. Receivables – contributions due in respect of pensions

Analysis by type

Amounts falling due within one year	**2022-23** £'000	**2021-22** £'000
Pension contributions due from appointing bodies:		
Accruing Superannuation Liability Charges (ASLCs) including administration fees	17,715	16,837
Pension contributions due from judicial officeholders:		
Normal contributions - Personal Pension Contributions (PPCs)	1,445	2,000
Purchase of added years - internal JPS AVC's only	-	44
Overpaid pensions & other debtors	389	93
Overpaid lump sum	12	12
Higher judiciary base pensions paid by Vote	-	25
Ex-gratia payments due from MoJ	37	41
Payments in lieu of pension due from MoJ	1,664	1,306
Other payments due from MoJ - FPJPS*	-	1,322
	21,262	**21,680**

* FPJPS regulations have now been amended enabling the JPS to make these payments directly.

12. Cash and cash equivalents

	2022-23 £'000	**2021-22** £'000
Balances as at 1 April	44,058	43,634
Net change in cash balances	(5,739)	424
Balance at 31 March	**38,319**	**44,058**
The following balances at 31 March were held at:		
Government Banking Service	38,319	44,058
	38,319	**44,058**

13. Payables – in respect of pensions

Analysis by type

Amounts falling due within one year

	2022-23	2021-22
	£'000	£'000
Tax due to HM Revenue and Customs	3,564	3,301
Death in service pensions and lump sums due	1,202	959
Administration charges due to MoJ	631	274
Pension arrears	838	367
Lump sums	1,680	780
O'Brien and Miller pension payments due *	10,197	5,998
Other creditors	863	1,837
Total payables excluding CF creditor	18,975	13,516
Extra receipts due to the Consolidated Fund	37,042	42,422
Non-JPS cash held on behalf of the Consolidated Fund	1,277	1,635
	57,294	**57,573**

*In 2021-22 this related to post-2000 Miller pension payments due only.

14. Pension liability

14 (a) Judges' pension entitlements

In November 2018, in relation to the O'Brien No.2 litigation case, the Court of Justice of the European Union (CJEU) ruled that, in calculating the pension entitlement of eligible fee-paid judges, any continuous service prior to 7 April 2000 (the date that the Part-time Work Directive should have been transposed into domestic law) must be taken into account.

In December 2019, in relation to the Miller litigation case, the Supreme Court ruled that the time limit for making a pension claim under the Part-time Workers Regulations runs from the point of retirement from all judicial offices, rather than the end of fee-paid service. This increases the number of former fee-paid judicial office holders entitled to a pension.

Following determination of the methodology to be applied in calculating pension entitlements for pre-2000 service, the Government Actuary's Department (GAD) has been able to determine an estimated value of the accrued benefits on an actuarial basis, following improved data available from XPS. In addition, the MoJ has undertaken significant work to identify those former fee-paid judges whose pension claims will now be 'in time' as a result of the Miller judgment. Where there are some limitations in data, estimates are based upon extrapolation from the post-2000 service of those judges thought to have eligible pre-2000 service. It was also recognised in 2020-21 that post-2000 Miller-related payments would be paid by the JPS and not by the MoJ.

As a result of improvements in data availability each year, this has amended the pension liability year on year. The pension liability has now reduced to £288m in 2022-23 from £559m in 2021-22, due to new data provided in year and the change in discount rate. The related movements in the pension liability are shown at Note 14(e).

Up to and including 31 March 2023, the JPS could not make O'Brien and pre-2000 Miller pension payments under the FPJPS 2017 scheme, as existing legislation did not include provision for the remedy of the O'Brien and Miller litigation. On behalf of the MoJ, the JPS has made payments in lieu of pension, based on the claims assessed by the MoJ judicial claims teams and the methodology template produced by GAD for the MoJ. The payments in lieu made by the JPS have been reimbursed by the MoJ. The reimbursable amount outstanding at 31 March 2023 is recorded in Receivables Note 11. With effect from 2021-22 payments in lieu have been paid to the judiciary in the Scottish Government and have been reimbursed by the Scottish Government.

The necessary changes in legislation have now been made to the FPJPS regulations effective from 1 April 2023, which covers the majority of judicial offices. A few judicial offices were still being consulted on at the time the regulations were updated, and these will be incorporated into the regulations in 2024-25. Therefore payments in lieu of pension will continue for a very limited number of members during 2023-24.

14 (b) Assumptions underpinning the pension liability

The JPS is an unfunded defined benefit scheme. GAD undertook a full actuarial valuation as at 31 March 2020. 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 15 to 20 sets out the scope, methodology and results of the work the actuary has carried out.

The major assumptions used by the actuary were:

	31 March 2023	31 March 2022	31 March 2021	31 March 2020	31 March 2019
Rate of increase in salaries	3.65%	4.15%	3.72%	4.10%	4.10%
Rate of increase in pensions in payment and deferred pensions	2.40%	2.90%	2.22%	2.35%	2.60%
Inflation assumption	2.40%	2.90%	2.22%	2.35%	2.60%
Nominal discount rate	4.15%	1.55%	1.25%	1.80%	2.90%
Discount rate net of price inflation	1.70%	(1.30%)	(0.95%)	(0.50%)	0.29%
Mortality rates at aged 60 (life expectancy in years)					
Current retirements:					
Females	30.4	30.7	30.6	30.5	31.4
Males	28.7	28.9	28.8	28.8	29.7
Retirements in 15 years' time:					
Females	31.5	31.9	31.8	31.8	33.0
Males	29.9	30.2	30.1	30.0	31.2

These key assumptions are inherently uncertain, since it is impossible to predict with any accuracy future changes in the rate of salary increases, inflation, longevity, or the return on corporate bonds. In addition to using HM Treasury prescribed rates, the actuary uses their 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 increase in the discount rate net of inflation leads to a significant decrease in the reported liability, which has happened for 2022-23.

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

For the O'Brien and Miller element of the liability, the key assumptions used are that the average annual number of sitting days for a member before 7 April 2000 is equal to his or her average annual sitting days on or after 7 April 2000 and that the additional pension liability for each individual Miller claimant is the same as the average liability of an O'Brien claimant. These assumptions have been replaced by actual data as individual judges' claims have been processed. This means that the eventual amount of liability may be significantly different from the estimate.

14 (c) Analysis of the pension liability

	31 March 2023 £m	**31 March 2022** £m	**31 March 2021** £m
Liability relating to pensioners in payment	2,191	2,575	1,739
Liability relating to deferred pensioners	17	28	32
Liability relating to active members	2,088	3,681	4,041
Scheme liability at 31 March (existing schemes only, excluding O'Brien and Miller pension liability)	**4,296**	**6,284**	**5,812**

During the year ended 31 March 2023, employers' contributions represented 51.35% of pensionable pay. This increased from 38.2% with effect from 1 April 2019, following the valuation of the scheme as at 31 March 2016. The impact of the valuation of the scheme as at 31 March 2020 on the employer rate, which will be effective from 1 April 2024, has not yet been confirmed.

For members in JPS 2022, employee contributions are 4.26% of pensionable pay, or 3% for a limited time until 31 March 2025 for a reduced accrual rate of 2.42% (compared to 2.5%) during that period.

The assessment of the liabilities is reliable to the extent that the assumptions are reasonable, which the actuary and Scheme Manager considers 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(h). The note also discloses 'experience' gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

14 (d) Sensitivity analysis

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made.

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

The table below is an extract from the report of the actuary (page 20) and shows the indicative effects on the total liability as at 31 March 2023 of changes to these assumptions (rounded to the nearest 0.5%).

Sensitivity to significant assumptions

Change in assumption		Approximate effect on total liability	
Financial assumptions			
(i) discount rate*:	+0.5% p.a.	-6.00%	-£275 million
(ii) (long-term) earnings increase*:	+0.5% p.a.	1.00%	+£46 million
(iii) pension increases*:	+0.5% p.a.	5.50%	+£252 million
Demographic assumptions			
(iv) additional 1 year increase in life expectancy at retirement		3.50%	+161 million

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

14(e) Analysis of movement in scheme liability

	Note	2022-23	2021-22
		£'000	£'000
Scheme liability at 1 April		6,842,823	6,307,641
Current service cost	5	372,000	323,000
Past service (gain)/cost	5	(142,000)	42,000
Pension financing cost	8	107,000	80,000
Enhancements and transfers in	6&7	4,086	7,290
Pension benefits payable	14(f)	(202,577)	(193,986)
Pension payments to and on account of leavers – transfers out	14(g)	-	(122)
Other re-measurement - (gains)/losses	14(h)	(2,397,000)	277,000
Scheme liability at 31 March		**4,584,332**	**6,842,823**

Within the figures above are the following movements in the O'Brien/Miller pension liability:

	2022-23	2021-22
	£'000	£'000
Balance as at 1 April	559,336	496,300
Past Service Cost	(154,046)	45,000
Pension financing cost	8,609	6,000
Pension benefits payable	(7,881)	(8,964)
Other re-measurement - (gains)/losses	(117,605)	21,000
Balance at 31 March	**288,413**	**559,336**

14 (f) Analysis of benefits paid

	2022-23		2021-22	
	£'000	£'000	£'000	£'000
Members - pensions	88,705		79,771	
Members - lump sum on retirement	9,505		13,672	
Dependants - pensions	9,930		9,176	
Dependants – lump sum on death of member	1,691		1,215	
Pension benefits payable from Supply		**109,831**		**103,834**
Members – base pensions	71,899		69,701	
Members – lump sum on retirement	9,826		11,531	
Dependants – base pensions	9,113		8,298	
Dependants – lump sum on death of member	1,908		622	
Pension benefits payable from Consolidated Fund		**92,746**		**90,152**
Total pension benefits payable charged against provision		**202,577**		**193,986**

14 (g) Analysis of payments to and on account of leavers

	2022-23	2021-22
	£'000	£'000
Individual transfers to other schemes	-	122
Total payments to and on account of leavers	**-**	**122**

14 (h) Analysis of other re-measurements

	2022-23	2021-22
	£'000	£'000
Experience gains/(losses) arising on the scheme liabilities	(333,000)	87,000
Gains/(losses) resulting from changes in assumptions underlying the present value of scheme liabilities	2,730,000	(364,000)
Per Statement of Changes in Taxpayers' Equity	**2,397,000**	**(277,000)**

14 (i) History of experience gains and losses

	2022-23	2021-22	2020-21	2019-20	2018-19
	£'000	£'000	£'000	£'000	£'000
Experience gains/(losses) on scheme liabilities:					
Amount	(333,000)	87,000	78,000	71,000	105,000
Percentage of the present value of the scheme liabilities at the balance sheet date	7.27%	(1.27%)	(1.24%)	(1.31%)	(2.19%)
Total other re-measurement - gains/(losses):					
Amount	2,397,000	(277,000)	(282,000)	(365,000)	250,000
Percentage of the present value of the scheme liabilities at the balance sheet date	(52.34%)	4.05%	4.47%	6.82%	(5.22%)

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 service scheme of a similar size. Most 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

There are a number of on-going legal claims in relation to discrimination between fee-paid and salaried judges, and in relation to salaried judges working in a court of higher jurisdiction which may give rise to further pay and pension claims. In addition, there is an on-going legal claim relating to the calculation of holiday pay for a part-year worker. We are currently unable to estimate the extent of the potential liability for these claims.

17. Related party transactions

The JPS does not fall within the ambit of the MoJ, as it obtains Parliamentary approval for its resources under a separate supply estimate. The MoJ 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 MoJ is regarded as a related party with which the JPS has had material transactions during the year.

In addition, the scheme has had material transactions with other government departments, other central government bodies and the devolved administrations whose employees are members of the schemes. Most of these transactions have been with HMCTS, Northern Ireland Office and Scottish Government.

The JPS has not had unusual material transactions with the MoJ 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

In accordance with the requirements of IAS 10 ‘Events After the Reporting Period’, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

On 1 April 2023 the Judicial Pensions (Fee-Paid Judges) (Amendment) Regulations 2023 came into force, allowing for all qualifying past service of fee paid members of the judiciary to be eligible for a pension. The amendment regulations now allow for pension payments to be made by the JPS (rather than as payment in lieu of pension by MoJ) for service from the date of a fee paid judge’s appointment.

In relation to the remedy for the McCloud litigation, the Judicial Pensions (Remedial Service etc) Regulations 2023 were laid in Parliament on 15 May 2023 and came into effect on 5 July 2023. These regulations form part of the remedy following the 2018 Court of Appeal decision, in McCloud v MoJ, that the transitional protections for older judges in the ‘2015 schemes’, which includes Judicial Pension Scheme 2015 (JPS 2015) and Northern Ireland Judicial Pension Scheme 2015 (NIJPS), constituted unlawful direct age discrimination, and indirect race and sex discrimination. These regulations are required to implement additional, technical aspects of the McCloud remedy provided by the Public Service Pensions and Judicial Offices Act.

In December 2021 the British Medical Association and Fire Brigade Union filed a joint judicial review against the Government on the inclusion of the McCloud remedy cost within the cost control mechanism. Following an initial High Court decision which dismissed the application on 10 March 2023, the claimants sought permission to appeal from the Court of Appeal. This appeal was granted on 26 May 2023. Even if the judicial review is successful, it is unclear what remedy the court may order, and the Government would then need to consider how to proceed following that. Any attempt to predict such outcomes, such as any impact on scheme liabilities, would be highly speculative at this stage.

There were no other events between the end of the reporting period and the date the financial statements were authorised for issue that would be considered to significantly affect these accounts.

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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