



Ministry  
of Justice

# Ministry of Justice: Judicial Pensions Scheme Main Estimate 2024-25: Estimates Memorandum

## 1 Overview

### 1.1 Objectives

The Ministry of Justice: Judicial Pensions Scheme (JPS) includes various judicial pension schemes. These are:

#### **The 2022 Scheme**

The new reformed pension scheme, known as JPS 2022, came into effect on 1 April 2022, replacing all pre-2022 judicial pension schemes mentioned below, under the Public Service Pensions and Judicial Offices Act 2022.

The JPS 2022 is an unfunded, career average scheme for both salaried and fee-paid judges. The pension has an annual accrual rate of 2.5% (or 2.42% for three years for members who opt to pay reduced contributions until 31 March 2025). The scheme does not provide an automatic lump sum. It is, however, possible for members to commute part of their pension into a lump sum at the rate of £12 for every £1 of pension commuted, subject to HMRC limits.

## **The 1981 Scheme**

Salaried Judges appointed prior to 31 March 1995 usually participated in a scheme established under the Judicial Pensions Act 1981. Under the 1981 Act, maximum benefits accrued over either 15 or 20 years. The qualifying conditions for pension benefits vary according to age and length of service requirements. The lump sum is twice the annual pension.

## **The 1993 Scheme**

Salaried Judges appointed between 31 March 1995 and 31 March 2015 usually participated in a scheme established under the Judicial Pensions & Retirement Act 1993 (JUPRA). Both the 1981 and 1993 schemes are unfunded, final salary occupational pension schemes.

The 1993 Act provides a lump sum of 2.25 times the member's annual pension. The annual pension is calculated at 1/40th of the highest of the last three years of pensionable pay, up to a level reflecting the former HMRC earnings cap, multiplied by the number of years of reckonable service, up to a maximum of 20. Pension benefits are payable from age 65, subject to having completed five years' pensionable service. A top up scheme operated to provide pension benefits for 1993 Act members in respect of salaries above the HMRC earnings cap.

## **The 2015 Scheme**

The JPS 2015 was established under the Judicial Pensions Regulations 2015 and came into effect on 1 April 2015. It applied to members of the 1981 and 1993 schemes without transitional protection until 31 March 2022. The JPS 2015 was an unfunded career average scheme for both salaried and fee-paid judges.

The pension has an annual accrual rate of 2.32%. The scheme does not provide an automatic lump sum. However, it is possible for members to commute part of their pension into a lump sum at the rate of £12 for every £1 of pension commuted, subject to HMRC limits.

## **Fee-Paid Judicial Pension Scheme 2017**

The Fee-Paid Judicial Pension Scheme (FPJPS) was established under the Judicial Pensions (Fee-Paid Judges) Regulations 2017 and came into effect on 1 April 2017, until 31 March 2022.

FPJPS was an unfunded, final salary occupational pension scheme that mirrored the benefits of the JUPRA Scheme as far as possible. FPJPS included historic pension entitlement, where appropriate.

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

### McCloud remedy – options exercise

Members of the 1981, 1993 and FPJPS schemes with full transitional protection under Schedule 2 of the Judicial Pensions Regulations 2015 remained in their current scheme 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)*.

An options exercise for judges in scope of the McCloud remedy commenced in October 2023. This allows them to make a retrospective choice of pension scheme membership for the period from 1 April 2015 to 31 March 2022.

This Estimate allows for additional pension due as a result of the options exercise, along with compensation for other financial and tax losses within allowable parameters.

## 1.2 Spending controls

The Ministry of Justice: Judicial Pensions Scheme budgets are not subject to pre-set Departmental Expenditure Limit (DEL) spending totals; they sit within a category of spending known as Resource Annually Managed Expenditure (Resource AME), which can be revised and reforecast regularly. This is because net expenditure and cash payments are largely outside the control of the scheme administrators on a day-to-day basis, instead being affected by factors such as membership numbers, salary levels, mortality rates, the age profile of members, and annual pension increases.

The **Resource AME** sought under the Ministry of Justice: Judicial Pensions Scheme Estimate is essentially the amount by which liabilities under the pension scheme are estimated to increase during the year, less the contributions paid by employers and employees towards those liabilities.

The **net cash requirement** represents the estimated net cash required for the year to cover payments of pensions, after taking account of estimated contributions and transfer values paid in by employees and employers. A negative value means that more is forecast to be received than paid in year.

## 1.3 Comparison of spending totals sought

The table below shows how the totals sought for the Judicial Pensions Scheme compare with the Supplementary Estimate for 2023-24 and the outturn for 2022-23.

Amounts sought in Main Estimate 2024-25			Changes from Supplementary Estimate 2023-24		Changes from Main Estimate 2023-24	
		£m	£m	%	£m	%
Resource AME	Voted	174.1	-36.4	-17%	-14.8	-8%
Resource AME	Non-voted	87.6	-4.4	-5%	-7.7	-8%
<b>Resource AME</b>	<b>Total</b>	<b>261.6</b>	<b>-40.8</b>	<b>-13%</b>	<b>-22.6</b>	<b>-8%</b>

## 1.4 Key drivers of spending changes since last year

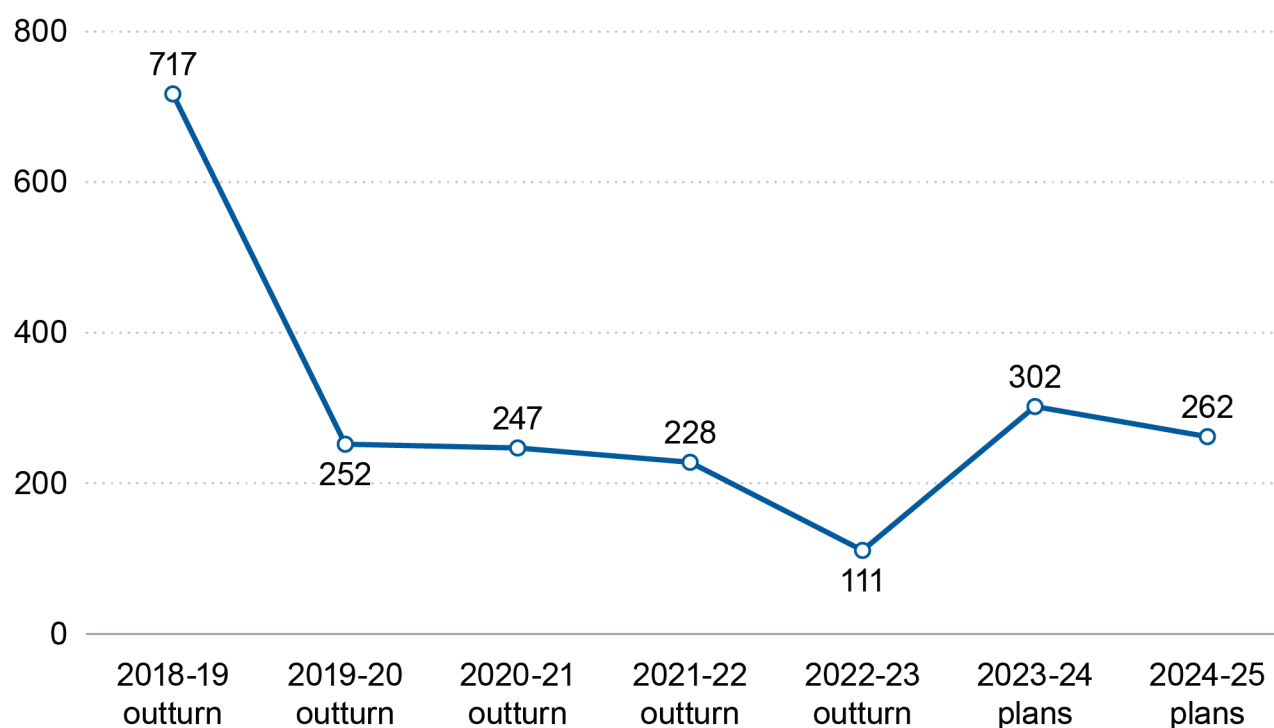
Details of changes in spending are provided at section 2.1.

## 1.5 Spending trends

The chart below shows overall spending trends for the last seven years, using outturn figures for the last five years and plans presented in the Supplementary Estimate for 2023-24 and Main Estimate for 2024-25. As Resource AME is re-forecast on an annual basis, there are no plans beyond the current Estimate.

### Total Outturn/Plans £m

£ million



The high figure in 2018-19 was due to provisions in relation to legal cases. The lower figure in 2022-23 was mainly due to a large actuarial past service gain calculated by the Government Actuary Department following a reduction in the liability relating to O'Brien and Miller costs.

## **1.6 Administration costs and efficiency plans**

Under the Judicial Pensions Regulations 2015 the Lord Chancellor is the JPS Scheme Manager, with functions in relation to administration exercised by the MoJ Director of Financial Management, Control, Risk and Governance.

Since 2015, the administration of pension awards and pension payrolls has been outsourced to Punter Southall Limited, now XPS Administration Limited.

The costs of administration of the scheme are borne by the Ministry of Justice, partially funded by a recharge to the Ministry of Justice from the JPS, which is forecast to amount to £1.1m in 2024-25.

## 2. Spending detail

### 2.1 Explanations of changes in spending

#### Resource AME

The table below shows how the Scheme's 2024-25 Main Estimate Resource AME spending plans compare with the 2023-24 Supplementary Estimate.

Estimate Subhead	Description	Detail	Main Estimate 2024-25	Supplementary Estimate 2023-24	Change from Supplementary Estimate 2023-24	
			£m	£m	£m	%
A	Expenditure	Current service costs (Voted)	107.0	117.0	-10.0	-9%
B	Expenditure	Current service costs (Non-voted)	87.6	92.0	-4.4	-5%
A	Expenditure	Administration costs	1.1	1.0	0.1	6%
A	Expenditure	Interest on scheme liabilities	232.6	190.4	42.2	22%
A	Expenditure	McCloud compensation	19.0	26.0	-7.0	-27%
A	Expenditure	Provisions arising from legal cases & PSC	100.0	100.0	0.0	0%
	<b>Subtotal</b>		<b>547.3</b>	<b>526.4</b>	<b>20.9</b>	<b>4%</b>
A	Income	Contributions	-285.7	-224.0	-61.7	28%
	<b>Net total</b>		<b>261.6</b>	<b>302.4</b>	<b>-40.8</b>	<b>-13%</b>

Changes to significant items that are more than +/-10% and more than +/-£10m are explained below.

## 1. Current service costs

A total decrease of £14.4m in current service costs, split between Voted and Non-voted based on the respective proportion of payrolls. This is due to a reduction in the cost of accruing pensions as a percentage of pensionable payroll for 2024-25, now estimated to be 41.6% for the Main Estimate, compared to 47.4% for the prior year Supplementary Estimate.

## 2. Interest costs

An increase of £42.2m in interest is due to the increase in the nominal discount rate from 4.15% p.a. on 31 March 2023 to 5.10% p.a. at 31 March 2024.

## 3. Contribution income

The large increase of £61.7m in contribution income since the Supplementary Estimate is due to the increase in employer contribution rates from 1 April 2024 from 51.35% to 62.55% following the 2020 Scheme Valuation.

## 4. McCloud compensation payments

Compensation payments, where entitled under the McCloud remedy, are forecast to decrease by £7m following the commencement of the options exercise in October 2023.

Note: The additional pensions payable as part of the options exercise (£18m) are budget-neutral, being an increase in provisions offset directly by utilisation of that provision.

## 2.2 Changes to contingent liabilities

There are no new contingent liabilities since the Supplementary Estimate 2023-24.

## 2.3 Estimated scheme liabilities

The Government Actuary's Department (GAD) undertook a full scheme valuation as at 31 March 2020 and the employer contribution rate will increase from 51.35% to 62.55% from 1 April 2024. The total scheme liabilities, as reported in the [Judicial Pension Scheme Annual Report and Accounts 2022-23](#) were £4.58bn.


The below table gives a breakdown of scheme membership as at 31 March 2023.

<b>Scheme members</b>	<b>JPS 2022 (salaried &amp; fee-paid)</b>	<b>FPJPS 2017 (fee-paid)</b>	<b>JPS 2015 (salaried &amp; fee-paid)</b>	<b>1981 and 1993 (salaried)</b>	<b>Total</b>
Active members	7,555	0	0	0	7,555
Active members linked to legacy schemes	0	3,456	5,564	1,049	10,069
Deferred members	40	284	218	48	590
Pensioner	109	2,226	88	2,875	5,298
<b>Total</b>	<b>7,704</b>	<b>5,966</b>	<b>5,870</b>	<b>3,972</b>	<b>23,512</b>

### 3. Accounting Officer approval

This memorandum has been prepared according to the requirements and guidance set out by the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimates Memorandum has been approved by me as Departmental Accounting Officer.



Dame Antonia Romeo DCB  
Principal Accounting Officer  
Ministry of Justice: Judicial Pensions Scheme  
19 July 2024