Ministry of Justice: Judicial Pensions Scheme

Supplementary Estimate 2022-23: Estimates Memorandum

1 Overview

1.1 Objectives

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

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 varied 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. 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.

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% 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.

1.2 Spending controls

The Ministry of Justice: Judicial Pensions Scheme budgets are not subject to pre-set departmental Expenditure Limit (DEL) control totals; they sit within a category of spending known as Resource Annually Managed Expenditure (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 Main Estimate 2022-23 and the final outturn for 2021-22.

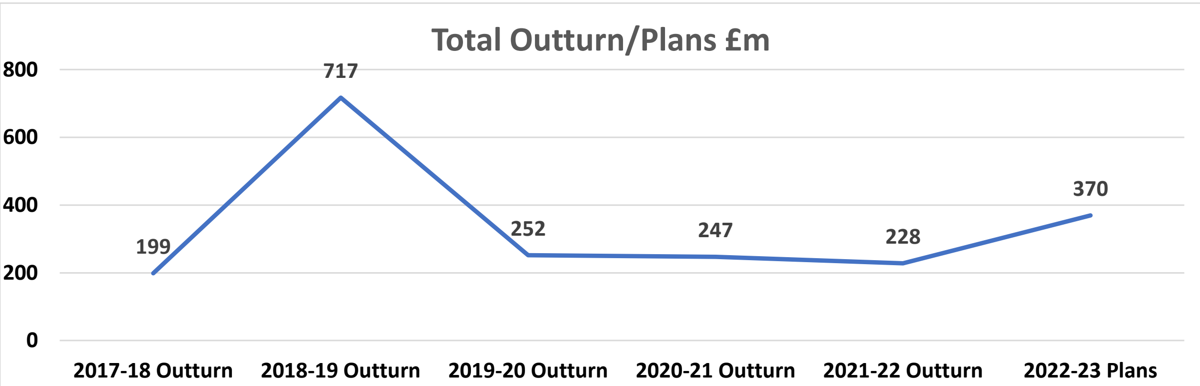
Amounts sought in Supplementary Estimate 2022-23			Changes from Main Estimate 2022-23		Comparison to Final Outturn 2021-22	
		£m	£m	%	£m	%
Resource AME	Voted	202.7	3.9	2%	117.4	138%
Resource AME	Non-voted	167.0	3.0	2%	24.0	17%
Resource AME	Total	369.7	6.9	2%	141.4	62%

1.4 Key drivers of spending changes since original budget

Details of the changes in spending are provided at section 2.1.

1.5 Spending trends

The chart below shows overall spending trends for the last six years, using outturn figures for the last five years and the plans presented in Estimates for 2022-23. As AME is re-forecast on an annual basis, there are no plans beyond the current Estimate.



The large increase in 2018-19 was due to provisions in relation to legal cases.

1.6 Administration costs and efficiency plans

Under the Judicial Pensions Regulations 2015 the Lord Chancellor, as Scheme Manager, has delegated responsibility for the administration of the JPS to the Director of Financial Management and Control.

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, funded by a recharge to Ministry of Justice: Judicial Pensions Scheme through subhead A, and are forecast to amount to £1 million.

2. Spending detail

2.1 Explanations of changes in spending

Resource AME

The table below shows how the Scheme's 2021-22 Supplementary Estimate Resource AME spending plans compare with the 2021-22 Main Estimate.

Estimate Subhead	Description	Detail	Supplementary Estimate 2022-23	Main Estimate 2022-23	Change from Main Estimate 2022-23	
			£m	£m	£m	%
A	Expenditure	Current service costs (Voted)	212.0	208.1	3.9	2%
B		Current service costs (Non-voted)	167.0	164.0	3.0	2%
A		Administration costs	1.0	1.0	0.0	0%
A		Interest on scheme liabilities	107.7	107.7	0.0	0%
A		Provisions arising from legal cases	100.0	100.0	0.0	0%
	Subtotal		587.7	580.8	6.9	1%
A	Income	Contributions	-218.0	-218.0	0.0	0%
	Net total		369.7	362.8	6.9	2%

There are no changes from the Main Estimate exceeding 10% or £10 million.

2.2 Changes to contingent liabilities

There are no new contingent liabilities since the Main Estimate.

2.3 Estimated scheme liabilities

The Government Actuary's Department (GAD) undertook a full scheme valuation as at 31 March 2016, reported in March 2019. This resulted in an increase in the employer contribution rate from 38.2% to 51.1% from 1 April 2019. The total scheme liabilities, as reported in the Judicial Pension Scheme Annual Report and Accounts 2021-22 were £6.84 billion.

The table below gives a breakdown of scheme membership as at 31 March 2022.

Scheme members	1981 and 1993 (salaried)	JPS 2015 (salaried & fee-paid)	FPJPS 2017 (fee-paid)	Total
Active members	1,180	5,054	3,731	9,965
Deferred members	42	149	268	459
Pensioner	2,790	68	1,939	4,797
Total	4,012	5,271	5,938	15,221

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.

Antonia Romeo

Principal Accounting Officer

Ministry of Justice: Judicial Pensions Scheme

21 February 2023