Ministry of Justice: Judicial Pensions Scheme

Main Estimate 2023-24: Estimates Memorandum

1 Overview

1.1 Objectives

The Ministry of Justice: Judicial Pensions Scheme (JPS) includes various judicial pension schemes, one principal judicial pension scheme (JPS 2022), and four legacy 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.

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 re-forecast 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 and Supplementary Estimates for 2022-23.

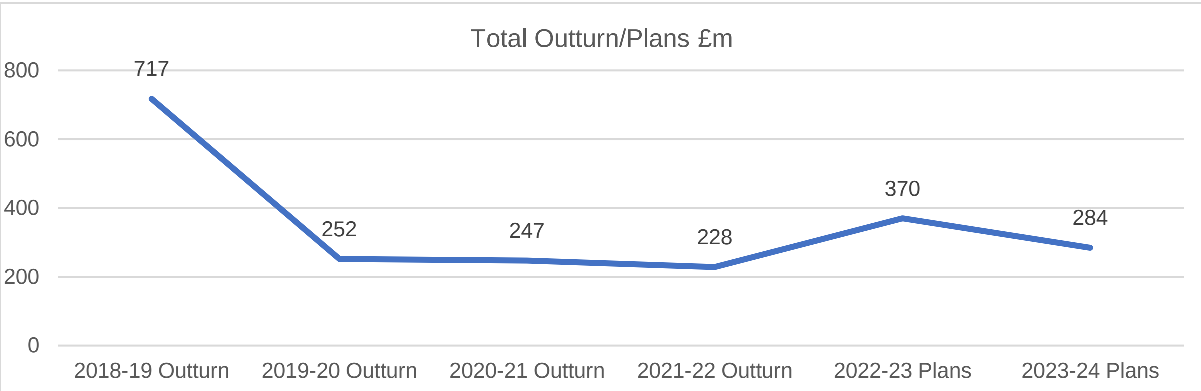
Amounts sought in Main Estimate 2023-24			Changes from Supplementary Estimate 2022-23		Changes from Main Estimate 2022-23	
		£m	£m	%	£m	%
Resource AME	Voted	188.9	-13.8	-7%	-9.8	-5%
Resource AME	Non-voted	95.3	-71.7	-43%	-68.8	-42%
Resource AME	Total	284.2	-85.5	-23%	-78.6	-22%

1.4 Key drivers of spending changes since last year

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 four years and plans presented in the Supplementary Estimate for 2022-23 and Main Estimate for 2023-24. As Resource AME is re-forecast on an annual basis, there are no plans beyond the current Estimate.



The large outturn in 2018-19 and increase in 2022-23 are 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 Pension Scheme though subhead A, and are forecast to amount to £1 million in 2023-24.

2. Spending detail

2.1 Explanations of changes in spending

Resource AME

The table on below shows how the Scheme's 2023-24 Main Estimate Resource AME spending plans compare with the 2022-23 Supplementary Estimate.

Estimate Subhead	Description	Detail	Main Estimate 2023-24	Supplementary Estimate 2022-23	Change from Supplementary Estimate 2022-23	
			£m	£m	£m	%
A	Expenditure	Current service costs (Voted)	116.4	212.0	-95.6	-45%
B		Current service costs (Non-voted)	95.3	167.0	-71.7	-43%
A		Administration costs	1.0	1.0	0.0	0%
A		Interest on scheme liabilities	198.5	107.7	90.8	84%
A		Provisions arising from legal cases & past service cost	100.0	100.0	0.0	0%
	Subtotal		511.2	587.7	-76.5	
A	Income	Contributions	-227.0	-218.0	-9.0	4%
	Net total		284.2	369.7	-85.5	-23%

Changes to significant items that are more than 10% and more than £10 million are explained below.

1. Current service costs

   A total decrease of £167.3m in current service costs, split between Voted and Non-voted based on the respective proportion of payrolls, resulting mainly from an increase in the real discount rate net of CPI inflation, from negative 1.30% at 31 March 2022 to positive 1.70% at 31 March 2023 which reduces the current service costs.

2. Interest costs

   An increase of £90.8m in interest due to an increase in the nominal discount rate from 1.55% as at 31 March 2022 to 4.15% at 31 March 2023.

2.2 Changes to contingent liabilities

There are no new contingent liabilities since the Supplementary Estimate 2022-23.

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 employer contribution rate remains the same for 2023-24. The total scheme liabilities, as reported in the Judicial Pension Scheme Annual Report and Accounts 2021-22 were £6.84 billion.

The below table 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

18 May 2023