Ministry of Justice

Dame Antonia Romeo DCB
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Robi Quigley
Clerk to the Justice Select Committee
House of Commons
London
SW1A 0AA

[By email]

10 February 2025

Dear Robi,

MINISTRY OF JUSTICE AND MINISTRY OF JUSTICE: JUDICIAL PENSION SCHEME SUPPLEMENTARY ESTIMATE MEMORANDA 2024-25

I attach the Supplementary Estimate Memoranda 2024-25 for the Ministry of Justice (MoJ) and the Judicial Pensions Scheme (JPS) Supplementary Estimates, together with copies of the Estimates themselves.

Ministry of Justice

This Estimate reflects the MoJ's revised funding requirements for the remainder of the 2024-25 financial year. Overall, there are net increases of £1,136m in our Resource DEL requirement and £184m in our Capital DEL requirement. These include the effects of switches of £695m from Capital DEL to Resource DEL funding, reserve funding supporting prison capacity measures and a number of other pressures, and the draw down of £959m Capital DEL funding exchanged from previous years, all of which were approved in the Autumn Budget 2024.

We have also returned £85m of capital funding which we are unable to spend in-year, primarily due to supplier failure impact on prison expansion and maintenance programmes.

MoJ: Judicial Pension Scheme

The JPS Estimate includes a small reduction due to increased contributions income, along with some minor changes related to current service costs and interest on scheme liabilities.

More detailed information is included in the individual Memoranda. If you have any queries my Finance team can advise.

Yours ever

Antonia

DAME ANTONIA ROMEO DCB

Ministry of Justice

Ministry of Justice: Judicial Pensions Scheme

Supplementary 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 described below.

The 2022 Scheme

The 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.

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) 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 for 2024-25 and the final outturn for 2023-24.

Amounts sought in Supplementary Estimate 2024-25			Changes from Main Estimate 2024-25		Comparison to Final Outturn 2023-24	
		£m	**£m**	**%**	**£m**	**%**
Resource AME	Voted	147.2	-26.9	-15%	81.7	125%
Resource AME	Non-voted	95.0	7.4	8%	-1.0	-1%
Resource AME	**Total**	**242.2**	**-19.4**	**-7%**	**80.7**	**50%**

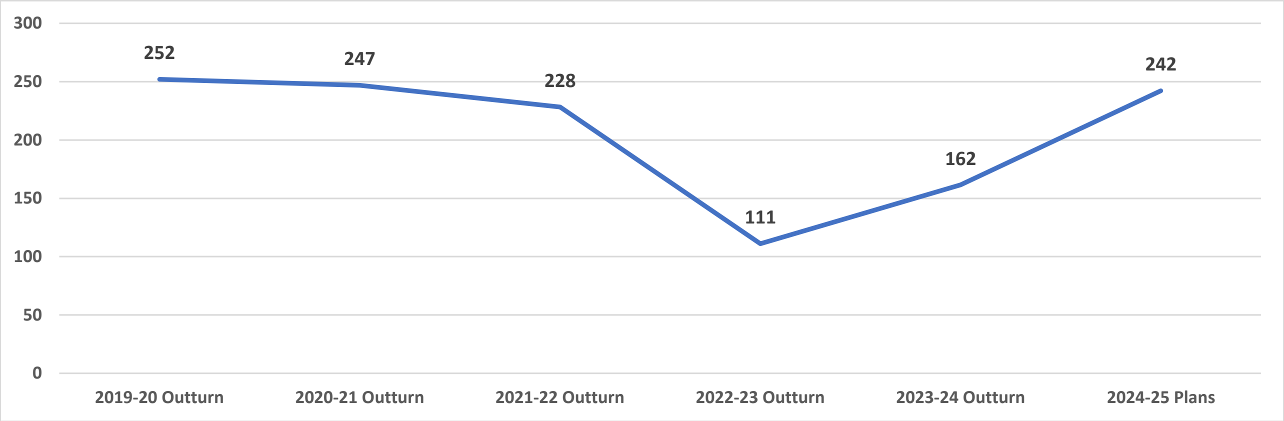
1.4 Key drivers of spending changes since original budget

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 six years, using outturn figures for the last five years and the plans presented in Estimates for 2024-25. As AME is reforecast on an annual basis, there are no plans beyond the current Estimate.

Total Outturn/Plans £m



The lower figure in 2022-23 was mainly due to a large actuarial adjustment relating to the liability for 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 £1.2m 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 Supplementary Estimate Resource AME spending plans compare with the 2024-25 Main Estimate.

Estimate Subhead	Description	Detail	Supplementary Estimate 2024-25	Main Estimate 2024-25	Change from Main Estimate 2024-25	
			£m	£m	£m	%
A	Expenditure	Current service costs (Voted)	113.0	107.0	6.0	6%
B	Expenditure	Current service costs (Non-voted)	95.0	87.6	7.4	8%
A	Expenditure	Administration costs	1.2	1.1	0.1	8%
A	Expenditure	Interest on scheme liabilities	230.0	232.6	-2.6	-1%
A	Expenditure	McCloud compensation	12.0	19.0	-7.0	-37%
A	Expenditure	Provisions arising from legal cases & PSC	100.0	100.0	0.0	0%
	Subtotal		**551.2**	**547.3**	**3.9**	**1%**
A	Income	Contributions	-309.0	-285.7	-23.3	8%
	Net total		**242.2**	**261.6**	**-19.4**	**-7%**

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

- **McCloud compensation payments**

This Supplementary Estimate includes estimated compensation payments of £12m for tax and other financial losses, following the McCloud remedy options exercise which commenced in October 2023. The reduction from the Main Estimate is due to additional data available since the commencement of the McCloud remedy options exercise.

Note: The additional pensions payable as part of the options exercise (£13m) 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 Main Estimate 2024-25.

2.3 Estimated scheme liabilities

The total scheme liabilities, as reported in the Judicial Pensions Scheme Annual Report and Accounts 2023-24 (JPS ARA) were £4.52 billion.

The below table gives a breakdown of scheme membership as at 31 March 2024.

Scheme members	JPS 2022 (salaried & fee-paid)	FPJPS 2017 (fee-paid)	JPS 2015 (salaried & fee-paid)	1981 and 1993 (salaried)	Total
Active members	7,170	0	0	0	7,170
Active members linked to legacy schemes	322	4,490	5,447	932	11,191
Deferred members	177	330	289	43	839
Pensioner members	432	3,973	111	2,952	7,468
Total	**8,101**	**8,793**	**5,847**	**3,927**	**26,668**

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

10 February 2025

Ministry of Justice: Judicial Pensions Scheme

INTRODUCTION

This Supplementary Estimate is required for the following purposes:

£

Changes in budgets, non-budget voted provision and cash	Increases	Reductions	Total
AME Expenditure Changes			
(Section A) Increase in current service cost.	5,970,000		
(Section A) Decrease in interest costs.		-2,600,000	
(Section A) Decrease in McCloud compensation costs.		-7,000,000	
(Section A) Increase in administration costs.	87,000		
(Section A) Increase in pension contribution income.		-23,336,000	
Total change in Resource AME (voted)	**6,057,000**	**-32,936,000**	**-26,879,000**
(Section B) Increase in current service cost.	7,430,000		
Total change in Resource AME (non-voted)	**7,430,000**		**7,430,000**
Increase in Pension Payments.	13,778,000		
Decrease in McCloud remedy payments from pension liability.		-5,000,000	
Decrease in McCloud compensation payments.		-7,000,000	
Increase in administration cost.	87,000		
Increase in income.		-23,336,000	
Total change in Net Cash Requirement	**13,865,000**	**-35,336,000**	**-21,471,000**

PART I: EXPENDITURE AND AMBIT

£

	Voted	Non-Voted	Total
Departmental Expenditure Limit			
Resource	**-**	-	-
Capital	**-**	-	-
Annually Managed Expenditure			
Resource	**-26,879,000**	7,430,000	-19,449,000
Capital	**-**	-	-
Total Net Budget			
Resource	**-26,879,000**	7,430,000	-19,449,000
Capital	**-**	-	-
Non-Budget Expenditure	**-**		
Net Cash Requirement	**-21,471,000**		

Supplementary amounts required in the year ending 31 March 2025 for expenditure by Ministry of Justice: Judicial Pensions Scheme on:

Departmental Expenditure Limit:

Expenditure arising from:

Payment of pensions, lump sum benefits, transfers out, refunds of contributions, refunds of added pension payments, and McCloud compensation payments in respect of members of the Judicial Pensions Schemes; payments to the Ministry of Justice towards the cost of administering the schemes; and other associated cash and non-cash items.

Income arising from:

Employers’ pension contributions (Accruing Superannuation Liability Charges), scheme members' pension contributions, transfers in from other schemes, purchases of added years, and receipt of administration charges from employers towards the cost of administering the schemes.

Ministry of Justice: Judicial Pensions Scheme will account for this Estimate.

PART II: CHANGES PROPOSED

£'000

	Net Resources						Net Capital		
	Present		Changes		Revised		Present	Changes	Revised
	Admin	Prog	Admin	Prog	Admin	Prog			
	1	2	3	4	5	6	7	8	9
Annually Managed Expenditure (AME)									
Voted expenditure									
A Judicial Pension Scheme	-	174,075	-	-26,879	-	147,196	-	-	-
Total voted AME	**-**	**174,075**	**-**	**-26,879**	**-**	**147,196**	**-**	**-**	**-**
Non-voted expenditure									
B Judicial Pension Scheme	-	87,570	-	7,430	-	95,000	-	-	-
Total non-voted AME	**-**	**87,570**	**-**	**7,430**	**-**	**95,000**	**-**	**-**	**-**
Total AME			**-**	**-19,449**				**-**	
Voted expenditure			**-**	**-26,879**				**-**	
Non-voted expenditure			**-**	**7,430**				**-**	
Total for Estimate			**-**	**-19,449**				**-**	

£'000

	Present Plans	Changes	Revised Plans
Net Cash Requirement	**-97,333**	**-21,471**	**-118,804**

PART II: REVISED SUBHEAD DETAIL INCLUDING ADDITIONAL PROVISION

£'000

	Revised Plans									
	Resources							Capital		
	Administration			Programme			Total			
	Gross	Income	Net	Gross	Income	Net	Net	Gross	Income	Net
	1	2	3	4	5	6	7	8	9	10
Voted expenditure										
Annually Managed Expenditure (AME)										
Voted expenditure										
A Judicial Pension Scheme	-	-	-	456,196	-309,000	147,196	147,196	-	-	-
Total voted AME	**-**	**-**	**-**	**456,196**	**-309,000**	**147,196**	**147,196**	**-**	**-**	**-**
Non-voted expenditure										
B Judicial Pension Scheme	-	-	-	95,000	-	95,000	95,000	-	-	-
Total non-voted AME	**-**	**-**	**-**	**95,000**	**-**	**95,000**	**95,000**	**-**	**-**	**-**
Total AME	**-**	**-**	**-**	**551,196**	**-309,000**	**242,196**	**242,196**	**-**	**-**	**-**
Voted expenditure	**-**	**-**	**-**	**456,196**	**-309,000**	**147,196**	**147,196**	**-**	**-**	**-**
Non-voted expenditure	**-**	**-**	**-**	**95,000**	**-**	**95,000**	**95,000**	**-**	**-**	**-**
Total for Estimate	**-**	**-**	**-**	**551,196**	**-309,000**	**242,196**	**242,196**	**-**	**-**	**-**

PART II: RESOURCE TO CASH RECONCILIATION

£'000

	Present Plans	Changes	Revised Plans
Net Resource Requirement	**261,645**	**-19,449**	**242,196**
Net Capital Requirement	**-**	**-**	**-**
Accruals to cash adjustments	**-271,408**	**5,408**	**-266,000**
Of which:			
Adjustment for ALBs:			
Remove voted resource and capital	-	-	-
Add cash grant-in-aid	-	-	-
Adjustments to remove non-cash items:			
Depreciation	-	-	-
New provisions and adjustments to previous provisions	-439,630	-3,370	-443,000
Departmental Unallocated Provision	-	-	-
Supported capital expenditure (revenue)	-	-	-
Prior Period Adjustments	-	-	-
Other non-cash items	-	-	-
Adjustments to reflect movements in working balances:			
Increase (+) / Decrease (-) in stock	-	-	-
Increase (+) / Decrease (-) in debtors	-	-	-
Increase (-) / Decrease (+) in creditors	-	-	-
Use of provisions	168,222	8,778	177,000
Removal of non-voted budget items	**-87,570**	**-7,430**	**-95,000**
Of which:			
Consolidated Fund Standing Services	-87,570	-7,430	-95,000
Other adjustments	-	-	-
Net Cash Requirement	**-97,333**	**-21,471**	**-118,804**

PART III: NOTE A - FORECAST COMBINED REVENUE ACCOUNT & RECONCILIATION TABLE

	£'000
	Revised Plans
Gross Programme Costs	551,196
Of Which:	
Increases in liability	308,000
Interest on scheme liability	230,000
Other expenditure	1,196
Less:	
Contributions received	-309,000
Transfers in	-
Other income	-
Net Programme Costs	242,196
Total Net Operating Costs	**242,196**
Of which:	
Resource DEL	-
Capital DEL	-
Resource AME	242,196
Capital AME	-
Non-budget	-
Adjustments to include:	
Departmental Unallocated Provision (resource)	-
Consolidated Fund Extra Receipts in the budget but not in the FCRA	-
Adjustments to remove:	
Capital in the FCRA	-
Grants to devolved administrations	-
Non-Budget Consolidated Fund Extra Receipts in the FCRA	-
Other adjustments	-
Total Resource Budget	**242,196**
Of which:	
Resource DEL	-
Resource AME	242,196
Adjustments to include:	
Grants to devolved administrations	-
Prior period adjustments	-
Adjustments to remove:	
Consolidated Fund Extra Receipts in the resource budget	-
Other adjustments	-
Total Resource (Estimate)	**242,196**

PART III: NOTE B - ANALYSIS OF DEPARTMENTAL INCOME

	£'000
	Revised Plans
Voted Resource AME	
Programme	
A Judicial Pension Scheme	
Pensions	-309,000
Total Pensions	**-309,000**
Total Programme	**-309,000**
Total Voted Resource AME	**-309,000**
Total Voted Resource Income	**-309,000**

PART III: NOTE C - ANALYSIS OF CONSOLIDATED FUND EXTRA RECEIPTS

No CFER income or receipts are expected in 2024-25.

PART III: NOTE D - EXPLANATION OF ACCOUNTING OFFICER RESPONSIBILITIES

The Accounting Officer prepares resource accounts for each financial year. See Section 2, Part III - Other Statements and notes of Main Estimates 2024-25 for further details of Accounting Officer responsibilities.

Accounting Officer:	Dame Antonia Romeo DCB

PART III: NOTE K - CONTINGENT LIABILITIES

Nature of liability	£'000
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, MoJ are currently defending a number of Employment Tribunal claims at various stages. The estimated possible impact on the future JPS pension liability of all such claims is approximately £56.4m.	56,400