

# Ministry of Justice: Judicial Pensions Scheme

## Main Estimate 2021-22: Estimates Memorandum

### 1 Overview

#### 1.1 Objectives

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

##### The 1981 Scheme

Salaried Judges appointed prior to 31 March 1995 usually participate in a scheme established under the Judicial Pensions Act 1981. There is a right of election to transfer from the 1981 Scheme to the 1993 Scheme (see below) at any time up to six months after retirement.

Under the 1981 Act maximum benefits accrue 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 participate 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 operates to provide pension benefits for 1993 Act members in respect of salaries above the HMRC earnings cap. The 2021-22 earnings cap is £172,800 (2020-21: £170,400).

##### The 2015 Scheme

The JPS 2015 was established under the Judicial Pensions Regulations 2015 and came into effect on 1 April 2015. It applies to members of the 1981 and 1993 schemes without transitional protection. As of 1 April 2015, all newly eligible judicial office holders become members of the scheme, unless they decide to opt out. The JPS 2015 is an unfunded career average scheme for both salaried and fee-paid judges.

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%. 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. FPJPS includes historic pension entitlement, where appropriate.

FPJPS is an unfunded, final salary occupational pension scheme that mirrors the benefits of the JUPRA Scheme as far as possible. It is based on a 'final pensionable earnings' model. 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 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 and Supplementary Estimates for 2020-21.

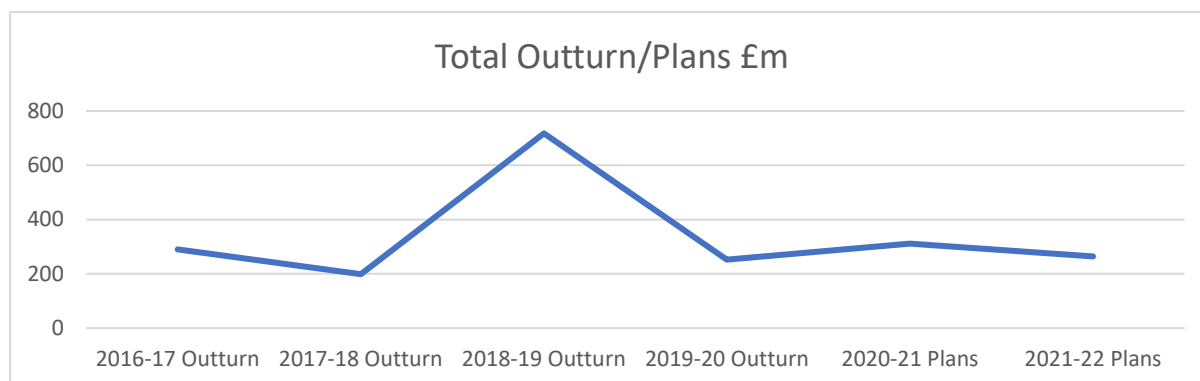
Amounts sought in Main Estimate 2021-22			Changes from Supplementary Estimate 2020-21		Changes from Main Estimate 2020-21	
£m			£m	%	£m	%
Resource AME	Voted	99.8	-71.8	-42%	-75.5	-43%
Resource AME	Non-voted	164.7	25.1	18%	16.4	11%
Resource AME	Total	264.5	-46.7	-15%	-59.1	-18%

### 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 2020-21 and Main Estimate for 2021-22. As Resource 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 Ian Haworth, Interim 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 £1.0 million in 2021-22.

## 2. Spending detail

### 2.1 Explanations of changes in spending

#### Resource AME

The table on page 4 shows how the Scheme's 2021-22 Main Estimate Resource AME spending plans compare with the 2020-21 Supplementary Estimate.

Estimate Subhead	Description	Detail	Main Estimate 2021-22	Supplementary Estimate 2020-21	Change from Supplementary Estimate 2020-21	
			£m	£m	£m	%
A	Expenditure	Current service costs (Voted)	185.7	157.4	28.3	18%
B		Current service costs (Non-voted)	164.7	139.6	25.1	18%
A		Administration costs	1.0	0.9	0.1	11%
A		Interest on scheme liabilities	79.1	106.0	-26.9	-25%
A		Provisions arising from legal cases	50.0	100.0	-50.0	-50%
	Subtotal		480.5	503.9	-23.4	
A	Income	Contributions	-216.0	-192.7	-23.3	12%
	Net total		264.5	311.2	-46.7	-15%

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

#### 1. Current service costs

An increase of £53.4m in current service costs, split between Voted and Non-voted based on the respective proportion of payrolls, resulting mainly from an increase in the forecast salary roll for fee-paid judges. There has also been a decrease in the real discount rate net of CPI inflation, from -0.50% at 31 March 2020 to -0.95% at 31 March 2021.

#### 2. Provisions

A decrease of £50m in provisions that might arise from legal cases. The amount of provisions required will vary year-on-year and takes account of uncertainty around the outcomes of particular cases, timing and the extent of potential liabilities arising.

#### 3. Interest Costs

A decrease of £26.9m in interest in 2021-22 is the expected result of a reduction in the nominal discount rate from 1.80% as at 31 March 2020 to a projected 1.25% at 31 March 2021.

#### 4. Contributions Income

An increase of £23.3m of employer and employee pension contributions, resulting from increased court activity and the consequent increase in fee-paid judges' contributions. Due to the effect of the Covid-19 pandemic, court activity had reduced slightly during 2020-21.

## 2.2 Changes to contingent liabilities

There are no new contingent liabilities since the Supplementary Estimate 2020-21.

## 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 2019-20](#), were £5.75 billion.

The below table gives a breakdown of scheme membership as at 31 March 2020.

Scheme members	1981 and 1993 (salaried)	JPS 2015 (salaried & fee-paid)	FPJPS 2017 (fee-paid)	Total
Active members	1,454	4,266	4,089	9,809
Deferred members	41	30	238	309
Pensioner	2,597	25	1,416	4,038
Total	4,092	4,321	5,743	14,156

## 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.

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ARW.

Antonia Romeo  
Principal Accounting Officer  
Ministry of Justice: Judicial Pensions Scheme  
17 May 2021

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# Ministry of Justice: Judicial Pensions Scheme

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## Introduction

1. This Estimate covers the payment of pensions and other benefits to persons covered by the Judicial Pensions Scheme (JPS). This is comprised of a number of distinct pension schemes providing for both salaried and fee paid judiciary.
2. Provision is made within this Estimate for:
  - a) Interest costs arising on the accruing cost of all judicial pensions during the year. This amount is equivalent to unwinding the discount originally included in the scheme liabilities and it accounts for the fact that future pension benefits are one year closer to settlement;
  - b) The increase in the value of the future pension liability (core pension entitlements and pension increases), earned during the period but payable in the future, with respect to currently serving members of the judiciary whose salaries are paid from the departmental resources;
  - c) The increase in the value of the future pension liability (core pension entitlements and pension increases), earned during the period but payable in future, with respect to currently serving members of the judiciary whose salaries are met directly from the Consolidated Fund; and
  - d) The increase in the value of the future pension liability (core pension entitlements and pension increases), expected to arise from ongoing litigation.
3. The Scheme's Appointing Bodies meet the costs of pension cover for their Judicial Office Holders by payments of set charges on an accruals basis. These charges are known as "Accruing Superannuation Liability Charges (ASLCs)". In addition scheme members pay personal pension contributions (PPC) towards their future pensions. ASLCs and PPCs constitute the income of the JPS.
4. This Estimate assumes an ASLC rate of 51.35% in line with 2020-21 contributions and as recommended by the Government Actuary's Department. The personal contributions of the members range between 2.76% and 8.05% according to their annual pensionable earnings.

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**Part I**

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	Voted	Non-Voted	Total
<b>Departmental Expenditure Limit</b>			
Resource	-	-	-
Capital	-	-	-
<b>Annually Managed Expenditure</b>			
Resource	99,812,000	164,688,000	264,500,000
Capital	-	-	-
<b>Total Net Budget</b>			
Resource	99,812,000	164,688,000	264,500,000
Capital	-	-	-
<b>Non-Budget Expenditure</b>	-		
<b>Net Cash Requirement</b>	<b>-120,414,000</b>		

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Amounts required in the year ending 31 March 2022 for expenditure by Ministry of Justice: Judicial Pensions Scheme on:

**Annually Managed Expenditure:**Expenditure arising from:

Pensions etc, in respect of members of the Judicial Pensions Scheme, and for other related services.

Income arising from:

Accruing Superannuation Liability Charges (ASLCs); and scheme members' pension contributions.

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

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	Voted Total	Allocated in Vote on Account	Balance to complete or surrender
<b>Departmental Expenditure Limit</b>			
Resource	-	-	-
Capital	-	-	-
<b>Annually Managed Expenditure</b>			
Resource	99,812,000	78,876,000	<b>20,936,000</b>
Capital	-	-	-
<b>Non-Budget Expenditure</b>	-	-	-
<b>Net Cash Requirement</b>	<b>-120,414,000</b>	-	<b>-120,414,000</b>

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## Part II: Subhead detail

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2021-22 Plans									2020-21 Provisions	
Resources						Capital			Resources	Capital
Administration			Programme							
Gross	Income	Net	Gross	Income	Net	Gross	Income	Net	Net	Net
1	2	3	4	5	6	7	8	9	10	11
<b>Spending in Annually Managed Expenditure (AME)</b>										
<b>Voted expenditure</b>										
-	-	-	315,812	-216,000	99,812	-	-	-	171,640	-
<i>Of which:</i>										
A Judicial Pensions Scheme										
-	-	-	315,812	-216,000	99,812	-	-	-	171,640	-
<b>Non-voted expenditure</b>										
-	-	-	164,688	-	164,688	-	-	-	139,590	-
<i>Of which:</i>										
B Judicial Pensions Scheme										
-	-	-	164,688	-	164,688	-	-	-	139,590	-
<b>Total Spending in AME</b>										
-	-	-	<b>480,500</b>	<b>-216,000</b>	<b>264,500</b>	-	-	-	<b>311,230</b>	-
<b>Total for Estimate</b>										
-	-	-	<b>480,500</b>	<b>-216,000</b>	<b>264,500</b>	-	-	-	<b>311,230</b>	-
<i>Of which:</i>										
<b>Voted Expenditure</b>										
-	-	-	315,812	-216,000	99,812	-	-	-	171,640	-
<b>Non Voted Expenditure</b>										
-	-	-	164,688	-	164,688	-	-	-	139,590	-



## Part II: Resource to cash reconciliation

£'000

	2021-22 Plans	2020-21 Provisions	2019-20 Outturn
<b>Net Resource Requirement</b>	<b>264,500</b>	<b>311,230</b>	<b>252,030</b>
<b>Net Capital Requirement</b>	-	-	-
<b>Accruals to cash adjustments</b>	<b>-220,226</b>	<b>-269,410</b>	<b>-233,791</b>
<i>Of which:</i>			
<i>Adjustment for ALBs:</i>			
Remove voted resource and capital	-	-	-
Add cash grant-in-aid	-	-	-
<i>Adjustments to remove non-cash items:</i>			
Depreciation	-	-	-
New provisions and adjustments to previous provisions	-314,812	-363,410	-319,010
Departmental Unallocated Provision	-	-	-
Supported capital expenditure (revenue)	-	-	-
Prior Period Adjustments	-	-	-
Other non-cash items	-	-	-
<i>Adjustments to reflect movements in working balances:</i>			
Increase (+) / Decrease (-) in stock	-	-	-
Increase (+) / Decrease (-) in debtors	-	-	5,646
Increase (-) / Decrease (+) in creditors	-	-	-1,059
Use of provisions	94,586	94,000	80,632
<b>Removal of non-voted budget items</b>	<b>-164,688</b>	<b>-139,590</b>	<b>-141,756</b>
<i>Of which:</i>			
Consolidated Fund Standing Services	-164,688	-139,590	-141,756
Other adjustments	-	-	-
<b>Net Cash Requirement</b>	<b>-120,414</b>	<b>-97,770</b>	<b>-123,517</b>

## Part III: Note A - Forecast Combined Revenue Account & Reconciliation Table

£'000

	2021-22 Plans	2020-21 Provisions	2019-20 Outturn
Gross Programme Costs	480,500	503,930	463,083
<i>Of which:</i>			
Increases in liability	235,712	297,000	220,069
Interest on scheme liability	79,100	106,000	141,947
Other expenditure	165,688	930	-
<i>Less:</i>			
Contributions received	-216,000	-192,700	-211,053
Transfers in	-	-	-
Other income	-	-	-
<b>Net Programme Costs</b>	<b>264,500</b>	<b>311,230</b>	<b>252,030</b>
<b>Total Net Operating Costs</b>	<b>264,500</b>	<b>311,230</b>	<b>252,030</b>
<i>Of which:</i>			
Resource DEL	-	-	-
Capital DEL	-	-	-
Resource AME	264,500	311,230	252,030
Capital AME	-	-	-
Non-budget	-	-	-
<i>Adjustments to include:</i>			
Departmental Unallocated Provision (resource)	-	-	-
Consolidated Fund Extra Receipts in the budget but not in the FCRA	-	-	-
<i>Adjustments to remove:</i>			
Capital in the FCRA	-	-	-
Grants to devolved administrations	-	-	-
Non-Budget Consolidated Fund Extra Receipts in the FCRA	-	-	-
Other adjustments	-	-	-
<b>Total Resource Budget</b>	<b>264,500</b>	<b>311,230</b>	<b>252,030</b>
<i>Of which:</i>			
Resource DEL	-	-	-
Resource AME	264,500	311,230	252,030
<i>Adjustments to include:</i>			
Grants to devolved administrations	-	-	-
Prior period adjustments	-	-	-
<i>Adjustments to remove:</i>			
Consolidated Fund Extra Receipts in the resource budget	-	-	-
Other adjustments	-	-	-
<b>Total Resource (Estimate)</b>	<b>264,500</b>	<b>311,230</b>	<b>252,030</b>

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## Part III: Note B - Analysis of Departmental Income

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	2021-22 Plans	2020-21 Provision	2019-20 Outturn
<b>Voted Resource AME</b>	<b>-216,000</b>	<b>-192,700</b>	<b>-211,053</b>
<i>Of which:</i>			
Programme			
Pensions	-216,000	-192,700	-211,053
<i>Of which:</i>			
A Judicial Pensions Scheme	-216,000	-192,700	-211,053
Total Programme	-216,000	-192,700	-211,053
<b>Total Voted Resource Income</b>	<b>-216,000</b>	<b>-192,700</b>	<b>-211,053</b>

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## **Part III: Note C - Analysis of Consolidated Fund Extra Receipts**

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No CFER income or receipts are expected in 2021-22 or 2020-21. No CFER income or receipts were received in 2019-20.

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## Part III: Note D - Explanation of Accounting Officer responsibilities

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The Accounting Officer prepares resource accounts for each financial year.

The following individuals are responsible for the expenditure within this Estimate:

**Accounting Officer:** Antonia Romeo

Antonia Romeo has personal responsibility for the proper presentation of the department's resource accounts and their transmission to the Comptroller & Auditor General, and is also responsible for the use of public money and stewardship of assets.

In discharging these responsibilities, particular regard is given to:

- observing any accounting and disclosure requirements (including any Accounts Direction) and applying suitable accounting policies on a consistent basis;
- making judgements and estimates on a reasonable basis;
- stating whether applicable accounting standards, as set out in the Financial Reporting Manual (FRM), or an organisation's version of it, have been followed, and explain any material departures in the accounts; and
- preparing the accounts on a going concern basis.

The responsibilities of an Accounting Officer, including responsibility for regularity and propriety of the public finances for which an Accounting Officer is answerable, for keeping proper records and safeguarding assets, are also set out in Chapter 3 of Managing Public Money.

In accordance with Managing Public Money requirements, the relationship between the Principal Accounting Officer and Additional Accounting Officer(s) together with their respective responsibilities, is set out in writing. Similarly, the relationship between the Principal Accounting Officer and the ALB Accounting Officer(s) is set out in writing.

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## Part III: Note K - Contingent Liabilities

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Nature of liability

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Following a legal challenge, the department has conceded that the current policies for sitting in retirement (where a judge may retire and draw a pension from their salaried office, and then sit in a fee-paid office), do not apply equally to fee-paid judges. MoJ intends to remove the differential treatment by legislating so that fee-paid judges in offices where there is a relevant salaried judge who can apply to sit in retirement, also have the opportunity to do so, and will consult on changes to implement this. In the interim, there is potential for affected judges to bring compensation claims in respect of this, and in the longer term, for pension benefits to become payable earlier, increasing the actuarial value of the pension liability. This effect cannot currently be estimated and, should there be a change to the pattern of retirement, will be reflected in the ongoing regular valuations process.

Unquantifiable

There are also a number of other legal claims in relation to discrimination between fee-paid and salaried judges, which may give rise to further pay and pension claims. We are currently unable to estimate the extent of the potential liability.