

Ministry of Justice: Judicial Pensions Scheme

Supplementary 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 2020-21 earnings cap is £170,400 (2019-20: £166,200).

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. 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. 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) 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 2021-22 and the final outturn for 2020-21.

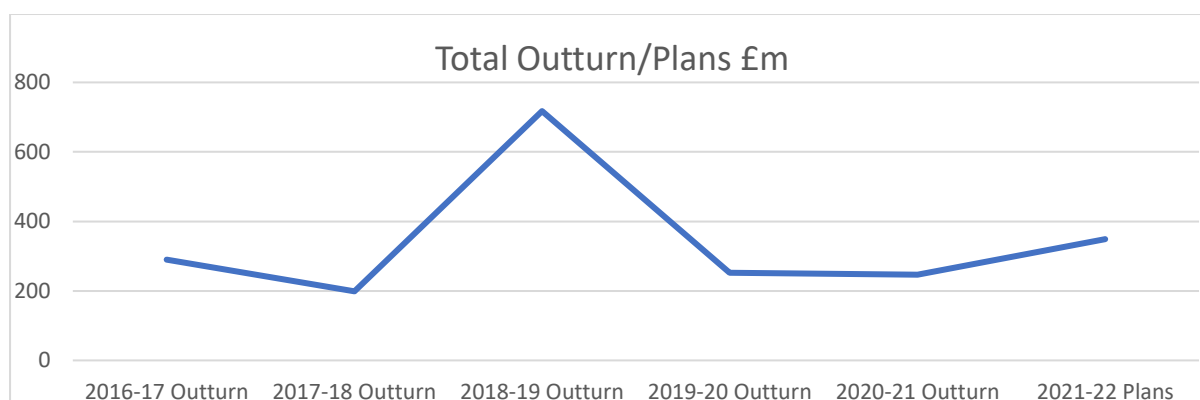
Amounts sought in Supplementary Estimate 2021-22			Changes from Main Estimate 2021-22		Comparison to Final Outturn 2020-21		
			£m	£m	%	£m	%
Resource AME	Voted	203.0	103.2	103%	88.1	77%	
Resource AME	Non-voted	146.0	-18.7	-11%	14.0	11%	
Resource AME	Total	349.0	84.5	32%	102.1	41%	

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 2021-22. 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 on page 4 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 2021-22	Main Estimate 2021-22	Change from Main Estimate 2021-22	
					£m	%
			£m	£m	£m	%
A	Expenditure	Current service costs (Voted)	187.0	185.7	1.3	1%
B		Current service costs (Non-voted)	146.0	164.7	-18.7	-11%
A		Administration costs	1.0	1.0	0.0	0%
A		Interest on scheme liabilities	81.0	79.1	1.9	2%
A		Provisions arising from legal cases	150.0	50.0	100.0	200%
	Subtotal		565.0	480.5	84.5	
A	Income	Contributions	-216.0	-216.0	0.0	0%
	Net total		349.0	264.5	84.5	32%

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

1. Current service costs

A decrease of £18.7m in the non-voted current service costs is a result of a decrease in the forecast pensionable pay compared to the amount forecast for the Main Estimate, following increased data provided to the Actuary.

2. Provisions arising from legal cases

An increase of £100m to cover ongoing litigation cases. The outcome and timing of litigation cases can be uncertain.

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 2020-21](#), were £6.31 billion.

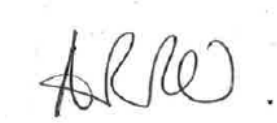
The table on page 5 gives a breakdown of scheme membership as at 31 March 2021.

Scheme members	1981 and 1993 (salaried)	JPS 2015 (salaried & fee- paid)	FPJPS 2017 (fee-paid)	Total
Active members	1,334	4,908	3,873	10,115
Deferred members	41	55	238	334
Pensioner	2,685	43	1,710	4,438
Total	4,060	5,006	5,821	14,887

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

23 February 2022

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
(SECTION A) Increase in current service cost.	1,288,000		
(SECTION A) Increase in Net Interest Cost.	1,900,000		
(SECTION A) Increase in Provisions.	100,000,000		
Total change in Resource AME (Voted)	103,188,000		103,188,000
(SECTION B) Decrease in current service cost.		-18,688,000	
Total change in Resource AME (Non-Voted)		-18,688,000	-18,688,000
Revisions to the Net Cash Requirement reflect changes to resources and capital as set out above.	19,414,000		
Total change in Net Cash Requirement	19,414,000		19,414,000

Part I

£

	Voted	Non-Voted	Total
Departmental Expenditure Limit			
Resource	-	-	-
Capital	-	-	-
Annually Managed Expenditure			
Resource	103,188,000	-18,688,000	84,500,000
Capital	-	-	-
Total Net Budget			
Resource	103,188,000	-18,688,000	84,500,000
Capital	-	-	-
Non-Budget Expenditure	-		
Net Cash Requirement	19,414,000		

Supplementary 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.

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
Spending in Annually Managed Expenditure (AME)								
Voted Expenditure								
-	99,812	-	103,188	-	203,000	-	-	-
<i>Of which:</i>								
A Judicial Pension Scheme								
-	99,812	-	103,188	-	203,000	-	-	-
Non-Voted Expenditure								
-	164,688	-	-18,688	-	146,000	-	-	-
<i>Of which:</i>								
B Judicial Pension Scheme								
-	164,688	-	-18,688	-	146,000	-	-	-
Total Spending in AME								
			-	84,500				
Total for Estimate								
			-	84,500				
<i>Of which:</i>								
Voted Expenditure								
		-	103,188					
Non-Voted Expenditure								
		-	-18,688					

£'000

	Present Plans	Changes	Revised Plans
Net Cash Requirement	-120,414	19,414	-101,000

Part II: Revised subhead detail including additional provision

£'000

Revised Plans

Resources						Capital		
Administration			Programme			Gross	Income	Net
Gross	Income	Net	Gross	Income	Net			
1	2	3	4	5	6	7	8	9
Spending in Annually Managed Expenditure (AME)								
Voted Expenditure								
-	-	-	419,000	-216,000	203,000	-	-	-
<i>Of which:</i>								
A Judicial Pension Scheme								
-	-	-	419,000	-216,000	203,000	-	-	-
Non-Voted Expenditure								
-	-	-	146,000	-	146,000	-	-	-
<i>Of which:</i>								
B Judicial Pension Scheme								
-	-	-	146,000	-	146,000	-	-	-
Total Spending in AME								
-	-	-	565,000	-216,000	349,000	-	-	-
Total for Estimate								
-	-	-	565,000	-216,000	349,000	-	-	-
<i>Of which:</i>								
Voted Expenditure								
-	-	-	419,000	-216,000	203,000	-	-	-
Non-Voted Expenditure								
-	-	-	146,000	-	146,000	-	-	-

Part II: Resource to cash reconciliation

£'000

	Present Plans	Changes	Revised Plans
Net Resource Requirement	264,500	84,500	349,000
Net Capital Requirement	-	-	-
Accruals to cash adjustments	-220,226	-83,774	-304,000
<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	-103,188	-418,000
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	-	-	-
Increase (-) / Decrease (+) in creditors	-	-	-
Use of provisions	94,586	19,414	114,000
Removal of non-voted budget items	-164,688	18,688	-146,000
<i>Of which:</i>			
Consolidated Fund Standing Services	-164,688	18,688	-146,000
Other adjustments	-	-	-
Net Cash Requirement	-120,414	19,414	-101,000

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

	£'000
	Revised Plans
Gross Programme Costs	565,000
<i>Of which:</i>	
Increases in liability	337,000
Interest on scheme liability	81,000
Other expenditure	147,000
<i>Less:</i>	
Contributions received	-216,000
Transfers in	-
Other income	-
Net Programme Costs	349,000
Total Net Operating Costs	349,000
<i>Of which:</i>	
Resource DEL	-
Capital DEL	-
Resource AME	349,000
Capital AME	-
Non-budget	-
<i>Adjustments to include:</i>	
Departmental Unallocated Provision (resource)	-
Consolidated Fund Extra Receipts in the budget but not in 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	-
Total Resource Budget	349,000
<i>Of which:</i>	
Resource DEL	-
Resource AME	349,000
<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	-
Total Resource (Estimate)	349,000

Part III: Note B - Analysis of Departmental Income

£'000

Revised
Plans

Voted Resource AME

-216,000

Of which:

Programme

Pensions

-216,000

Of which:

A Judicial Pension Scheme

-216,000

Total Programme

-216,000

Total Voted Resource Income

-216,000

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

No CFER income or receipts are expected in 2021-22.

Part III: Note D - Explanation of Accounting Officer responsibilities

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

Antonio 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 (FRoM), 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.