Ministry of Justice: Judicial Pension Scheme
Memorandum on Supplementary Estimate 2017-18
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Introduction

Key activities
The Ministry of Justice: Judicial Pension Scheme (JPS) is responsible for payment of pensions and other benefits to persons covered by the Judicial Pensions Scheme.

Supplementary Estimate provision by budgetary limits

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource Annually Managed Expenditure Limit (RAME)</td>
<td>358.714</td>
</tr>
<tr>
<td>Net Cash Requirement (NCR)</td>
<td>(65.207)</td>
</tr>
</tbody>
</table>

Key changes

Variance from estimate provision in the published Main Estimate 2017-18

The RAME provision has increased by £139.058m; this is due a combination of factors:

- An increase in provisions in relation to legal cases £150.000m;
  - There is currently a number of legal cases being heard in relation to the scheme. The most significant is the McCloud case. This concerned a claim that the transitional protection offered to some judges in relation to transferring between the 1993 and 2015 judicial pension schemes was discriminatory. The employment tribunal appeal hearing on 29 January 2018 found in favour of the claimants.

- A decrease of £(13.079)m (voted) in the current service costs of the scheme;

- An increase of £5.079m (non-voted) in the current service costs of the scheme;
  - The current service cost represents the increase in the present value of the scheme liabilities arising from current members’ service in the current period. The non-voted element relates to certain judicial office holders whose benefits, under statute, can only be paid out of the Consolidated Fund. Between estimates the non-voted element (service cost related to all other judicial office holders) has increased to 48.15% from 44.35% while the voted element decreased from 55.65% to 51.85%, as advised by GAD.

- A decrease in pension contributions received into the scheme £10.016m;
  - This is due to a decrease in the number of members contributing into the scheme during the year.

- A decrease in the interest cost on scheme liabilities £ (12.900) m;
  - The interest cost is calculated by applying the gross discount rate to the liability. The gross discount rate is unchanged from the main estimate calculation but has been applied to the liability at 31 March 2016 plus a half year’s interest on any in-year items, which gives the small reduction.

- A decrease in administration costs of the scheme £(0.058)m;
  - This reflects a small decrease for scheme administration costs in 2017-18.

The net cash requirement for the Ministry of Justice: Judicial Pension Scheme is negative: income exceeds expenditure and the excess cash is paid to the Treasury month.
New areas of income and expenditure
There are no new significant areas of income and expenditure within the Ministry of Justice: Judicial Pension Scheme.

Key Points

Main priorities and expected outcomes

- The Ministry of Justice: Judicial Pension Scheme (JPS) includes a number of judicial pension schemes:

  The 1981 Scheme
  - Salaried Judges appointed prior to 31 March 1995 usually belong to 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 a date, six months after retirement; and
  - 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 belong to 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' 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 5 years' service;
  - A top up scheme operates to provide pension benefits for 1993 Act members in respect of salaries above the HMRC earnings cap. The 2017-18 earnings cap was £154,200 (2016-17: £150,600); and
  - Members of the 1981 and 1993 schemes with full transitional protection (those with less than ten years to serve at the point of transfer on 1 April 2012) remain in their current scheme. Those with tapering protection were expected to move to the JPS 2015 (see below) when the taper period comes to an end. The McCloud ruling on 29 January 2018 regarding transitional protection (see above) will affect the status of the judges on the taper as well as younger judges transferred onto the newer 2015 scheme. However, as also noted above, it is likely to be some time before these matters are finally determined.

  The 2015 Scheme
  - The JPS 2015 is a new scheme established under the Judicial Pensions Regulations 2015 which came into effect on 1 April 2015. It applies to members of the 1981 and 1993 schemes without transitional protection. All new eligible judicial office holders appointed for the first time from that date become members of the scheme, unless they decide to opt out. The JPS 2015 is an unfunded career average scheme which includes both salaried and fee paid judges; and
• 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.

Administration

• Since 5 January 2015, administration of the pension awards and pension payrolls has been outsourced to Punter Southall Limited, now PS Administration Limited (PSAL).

• Under the Judicial Pensions Regulations 2015, which came into effect on 1 April 2015 the Lord Chancellor, as Scheme Manager, has delegated responsibility for the administration of the JPS to James McEwen, the MoJ Group Finance Director.

Ambit

There have been no changes in this Supplementary Estimate.

Changes to Resource AME since Main Estimate 2017-18

<table>
<thead>
<tr>
<th></th>
<th>Total RAME (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Estimate 2017-18</td>
<td>219.656</td>
</tr>
<tr>
<td>Additional Provision for Legal Cases</td>
<td>150.000</td>
</tr>
<tr>
<td>Decrease in Current Service Cost Provision (voted)</td>
<td>(13.079)</td>
</tr>
<tr>
<td>Increase in Current Service Cost Provision (non-voted)</td>
<td>5.079</td>
</tr>
<tr>
<td>Decrease in Contributions Received</td>
<td>10.016</td>
</tr>
<tr>
<td>Decrease in interest costs</td>
<td>(12.900)</td>
</tr>
<tr>
<td>Admin costs</td>
<td>(0.058)</td>
</tr>
<tr>
<td>Total changes</td>
<td>139.058</td>
</tr>
<tr>
<td>Single Supplementary Estimate 2017-18</td>
<td>358.714</td>
</tr>
</tbody>
</table>

Detailed Breakdown

Estimate Line Breakdown of Supplementary Estimate 2017-18

Spending in Resource AME (RAME) – Voted and Non-Voted Expenditure

At the Main Estimate 2016-17, the Ministry of Justice: Judicial Pension Scheme was allocated an overall budget of £219.656m.

Changes in this Single Supplementary Estimate result in an increase in overall RAME budget of £139.058m as detailed above.
Additional Information

Budgetary Limits
The tables below compare current year plans to the plans and outturn for the previous four years.

- Outturn for 2012-13 to 2016-17 is as reported in the Annual Report and Accounts for each financial year.

- Plans for 2017-18 are reported in this Supplementary Estimate 2017-18.

It is not possible to provide future year budget values for the Ministry of Justice: Judicial Pension Scheme.

Resource AME

<table>
<thead>
<tr>
<th>Year</th>
<th>Voted</th>
<th>Non-voted</th>
<th>Total Plans</th>
<th>Outturn</th>
<th>Variance</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>%</td>
</tr>
<tr>
<td>2017-18</td>
<td>249.418</td>
<td>109.296</td>
<td>358.714</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016-17</td>
<td>284.417</td>
<td>82.335</td>
<td>366.752</td>
<td>289.971</td>
<td>76.781</td>
<td>20.93</td>
</tr>
<tr>
<td>2015-16</td>
<td>169.800</td>
<td>89.656</td>
<td>259.456</td>
<td>224.969</td>
<td>34.487</td>
<td>13.29</td>
</tr>
<tr>
<td>2014-15</td>
<td>192.915</td>
<td>91.200</td>
<td>284.115</td>
<td>151.175</td>
<td>131.140</td>
<td>46.16</td>
</tr>
<tr>
<td>2013-14</td>
<td>572.233</td>
<td>82.200</td>
<td>654.433</td>
<td>(359,070)</td>
<td>1,013,503</td>
<td>154.87</td>
</tr>
<tr>
<td>2012-13</td>
<td>2,069.688</td>
<td>77.749</td>
<td>2,147.437</td>
<td>1,156,682</td>
<td>990,755</td>
<td>46.14</td>
</tr>
</tbody>
</table>

Accounting Officer Approval
The Ministry of Justice Estimates Memorandum has been prepared according to the requirements set out in the guidance manual on supply estimates provided by HM Treasury which reflects the views of the House of Commons Scrutiny Unit.

The information in this Estimates Memorandum has been approved by myself as departmental Accounting Officer.

Richard Heaton
Accounting Officer
Permanent Secretary
Ministry of Justice: Judicial Pension Scheme

1 February 2018