



Ministry  
of Justice

## **Ministry of Justice: Judicial Pension Scheme**

Memorandum on Main Estimate 2018-19

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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.

### Main Estimate provision by budgetary limits

	£m
Resource Annually Managed Expenditure Limit (RAME)	354.871
Net Cash Requirement (NCR)	(76.569)

### Significant changes in provision compared with the Supplementary Estimate 2017-18

Resource AME

	Main Estimate 2018-19 £m	Supplementary Estimate 2017-18 £m
Current Service Cost	236.000	227.000
Interest Cost	122.000	129.100
Use of Provisions (Release of Provisions)	(76.560)	(82.179)
Use of Provisions (Payment of Pensions)	76.560	82.179
Administration Costs	0.871	0.845
Contributions Receivable	(154.000)	(148.231)
Provisions	150.000	150.000
Total	354.871	358.714

This is broken down as follows:

	Main Estimate 2018-19 £m	Supplementary Estimate 2017-18 £m
<b>Resource AME - Voted</b>	247.313	249.418
<b>Resource AME – Non Voted</b>	107.558	109.296
<b>Total Resource AME</b>	354.871	358.714

The resource AME budget has decreased by £3.843m (1.07%) since the Supplementary Estimate 2017-18. These changes are largely a result of:

- Increase in Current Service Cost £9m as assessed by GAD;
- Decrease in Interest Cost £(7.1)m as assessed by GAD;
- Increase in Contributions receivable due to more Judges joining the scheme £(5.769)m; and

- Increase in Administrative costs of the scheme £0.026m.

## Net Cash Requirement

	<b>Main Estimate 2018-19 £m</b>	<b>Supplementary Estimate 2017-18 £m</b>
<b>Net Cash Requirement</b>	(76.569)	(65.207)

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 monthly.

## 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 6 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 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 2016-17 earnings cap was £150,600 (2015-16: £149,400).

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<sup>st</sup> 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 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;

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 Judges Pension Scheme 2017**

The Fee-Paid JPS 2017 is a pension scheme for eligible fee-paid judges with reckonable service between 7 April 2000 and 31 March 2015 and for service beyond that date for those eligible judges who, because of transitional arrangements, are not required to join the JPS 2015 scheme. The scheme was established under the Judicial Pensions (Fee-Paid Judges) Regulations 2017 and came into effect on 1 April 2017.

This is an unfunded, final salary occupational pension scheme that mirrors the benefits of the JUPRA Scheme. It provides for a lump sum of 2.25 times the member's annual pension with an annual pension calculated at 1/40th of the highest of the last three years pensionable pay, 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.

### **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 Director of MoJ Group Finance.

### **Ambit**

There have been no changes in this Main Estimate.

## **Additional Information**

### **Budgetary Limits**

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

- Outturn for 2014-15 to 2016-17 is as reported in the Annual Report and Accounts for each financial year.
- Plans for 2017-18 are reported in the Supplementary Estimate 2017-18.
- Plans for 2018-19 are as reported in this Main Estimate

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

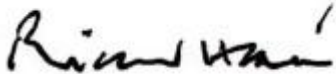
**Resource AME**

<b>Year</b>	<b>Voted</b>	<b>Non-voted</b>	<b>Total Plans</b>	<b>Outturn</b>	<b>Variance</b>	<b>Variance</b>
	£m	£m	£m	£m	£m	%
2018-19	247.313	107.558	354.871			
2017-18	249.418	109.296	358.714			
2016-17	284.417	82.335	366.752	289.971	76.842	20.95
2015-16	169.800	89.656	259.456	224.969	34.487	13.29
2014-15	192.915	91.200	284.115	151.175	131.140	46.16

## 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

18 April 2018