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# **Judicial Pensions Scheme Resource Accounts 2009-10**

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Presented to the House of Commons pursuant to section 6(4) of the Government Resources and Accounts Act 2000.

LONDON: The Stationery Office  
HC 161

21 July 2010  
Price: £9.75

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**(For the year ended 31 March 2010)**

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**Contents**

	Page
Report of the Manager	3-8
Report of the Actuary	9-10
Statement of Accounting Officer’s Responsibilities	11
Statement on Internal Control	12-15
The Certificate and Report of the Comptroller and Auditor General	16-17
The Primary Statements:	
Statement of Parliamentary Supply	18
Revenue Account and Statement of Recognised Gains and Losses (STRGL)	19
Statement of Financial Position	20
Statement of Cash Flows	21
Statement of Change in Taxpayers Equity	22
Notes to the Scheme Statements	23-40

## **REPORT OF THE MANAGER**

### **Introduction**

These Accounts relate to the financial year ending 31 March 2010.

The Judicial Appointments and Human Resources Division (JAHRD), now within the Legal, Rights and International Group of the Ministry of Justice, are the administrators of the Judicial Pensions Scheme (JPS).

There are currently various judicial pension arrangements, all contracted out of the State Pensions Scheme, that are known collectively as the JPS. The JPS comprises unfunded, salary-related, occupational pension schemes open to most members of the Judiciary under the provisions of two Acts: the Judicial Pensions Act 1981 and the Judicial Pensions & Retirement Act 1993 (JUPRA). In addition, these Accounts include pensions paid to former Lord Chancellors under the Lord Chancellor's Pension Act 1832, as amended.

Judicial pension benefits are paid from two sources. Under statute, certain judicial post-holders' basic pension benefits (but not the annual pension increase) can only be paid out of the Consolidated Fund (CF). For the rest, the pension benefits are paid from Judicial Pensions Scheme Estimates voted by Parliament.

The boundary of these Scheme Accounts is inclusive of all relevant expenditure and income relating to the payment of judicial pension benefits irrespective of the source of the funds.

### **Pension Benefits of the Scheme**

The following paragraphs summarise the arrangements operating in 2009-10.

The JPS is a defined benefit scheme. Judges appointed for the first time on or after 31 March 1995 belong to the scheme under the 1993 Act. Those appointed prior to that date generally belong to a scheme under the 1981 Act. There is a right of election to transfer from the 1981 Act to the 1993 Act at any time up to a date 6 months after retirement.

The 1993 Act provides a lump sum of 2.25 times the member's annual pension. The annual pension is calculated at  $1/40^{\text{th}}$  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 2009-10 earnings cap was £123,600 (2008-09: £117,600).

There are different arrangements for different Judicial Offices under the 1981 Act; in some cases maximum benefits accrue over 15 years, in others the period is 20

years. The qualifying conditions for pension benefits vary according to age and length of service requirements. Here, the lump sum is twice the annual pension. Judicial office holders under the 1993 Act pay contributions for a maximum of 20 years.

The JPS is not a registered scheme for the purposes of the Finance Act 2004. As a result lump sum benefits payable from, and members' contributions payable to, the schemes do not attract income tax relief. Judges receive a service award which becomes payable when they near retirement. The level of the award, which is a proportion of the lump sum, reflects their years of service and their judicial grade and ensures their net position is maintained. The service awards are accounted for in the Ministry of Justice's Resource Accounts.

Spouses' pension benefits, payable on the death of a member, are paid at the rate of  $\frac{1}{2}$  that of the member's annual pension entitlements under both the 1993 and 1981 Acts. Provision is also made for surviving civil partner benefits.

The JPS also provides death benefits on death in service and death in early retirement, the level of benefits depending on the appropriate Act (1993 or 1981 Acts), as well as early payment of pension benefits in the event of retirement on the grounds of ill health. There is also provision for leaving members who have completed 2 years service to preserve their accrued JPS benefits for payment when they reach normal pension age.

### **Contributions into the Scheme**

The cost of benefits accruing for each year of service is shared between the Appointing Bodies and the judicial office-holders. For the Appointing Bodies their contributions rate was 32.15% of pensionable pay for 2009-10 and 2008-09. For judicial office-holders their share was 1.8% or 2.4% of pensionable pay for 2009-10 and 2008-09.

Judicial office-holders in the 1981 scheme pay contributions for a maximum of 15 years or 20 years and those in the 1993 scheme pay contributions for a maximum of 20 years.

### **Members' Additional Voluntary Contributions (AVCs)**

Serving members are able to increase their personal pension benefits and/or dependants' entitlements by making additional voluntary contributions to one of three AVC facilities within the Scheme and also externally, to the AVC suppliers – The Equitable Life Assurance Society and Prudential plc. The three "in-house" AVC facilities were closed to new subscribers with effect from 6 April 2006. Making additional contributions to the external AVC scheme does not increase a member's pension benefits under the JPS.

## **Pension Increases**

Annual increases are applied to pension payments from the first Monday on or before 6 April, in line with the RPI all-items index, as at the previous 30 September, in accordance with the Pensions (Increase) Act 1971. The annual pension increase in April 2009 was 5.0% (2008: 3.9%).

As reported in the 2008-09 Resource Accounts incorrect application of the Guaranteed Minimum Pension increases resulted in pension overpayments and underpayments. In accordance with the decision by Ministers all past overpayments were written off, and the pensions affected were corrected from April 2009.

## **Review of the Year**

Since 2006 the discount rate for pensions has been reviewed annually, using market conditions, on 31 January. On 1 February 2009 the Government Actuary's Department advised that the discount rate for pension liabilities would change from 3.2 per cent real to 1.8 per cent real with effect from 31 March 2010.

The external Audit Report for 2008-09 recommended that the role of the Judicial Pension Scheme Board should be reconsidered including a review of the terms of reference. The Board was reconvened once the changes to the organisational structure of the Ministry were settled and new terms of reference agreed.

The Managers, Advisers and Appointing Bodies for the scheme are as listed below:

### **Managers**

#### *Scheme Manager and Accounting Officer:*

Sir Suma Chakrabarti, Permanent Secretary, Ministry of Justice, 102 Petty France, London, SW1H 9AJ

#### *Scheme Administrator:*

Mrs Shirley Hales, Head of Branch, Judicial Appointments and Human Resources Division, Ministry of Justice, 102 Petty France, London SW1H 9AJ.

### **Advisers**

#### *Scheme Actuary:*

Government Actuary's Department, Finlaison House, 15-17 Furnival Street, London EC4A 1AB.

#### *Auditors:*

Comptroller and Auditor General, National Audit Office, 151-197 Buckingham Palace Road, London SW1W 9SP.

*Bankers:*

The Office of HM Paymaster General, HMRC, Dorset House, 27-45 Stamford Street, London, SE1 9PY.

*Providers of external Additional Voluntary Contributions:*

The Equitable Life Assurance Company - Walton Street, Aylesbury, Bucks HP21 7QW.

Prudential Plc - Laurence Pountney Hill, London EC4R 0HH.

*Pension Payment Contractors:*

Xafinity Paymaster – Sutherland House, Russell Way, Crawley, West Sussex RH10 1UH.

### **Appointing or Administering Bodies**

As at 31 March 2010 the following bodies participated in the JPS:

- Her Majesty's Courts Service
- Tribunals Service
- Competition Commission
- Northern Ireland Court Service
- Scottish Executive
- Corporation of London
- Department for Communities and Local Government
- Welsh Assembly
- Supreme Court

### **Disclosure of audit information to the auditors**

As far as the Accounting Officer is aware, there is no relevant audit information of which the Scheme's auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Scheme's auditors are aware of that information.

### **Membership Statistics**

A. Active members: office-holders who are in service.

B. Deferred members: former office-holders who are not currently in pensionable service but who are entitled to JPS benefits as a result of previous service, at some future date.



C. Pensioners in payment: former office-holders who are currently receiving JPS benefits, plus other JPS beneficiaries such as widow(er)s and other dependants of former office-holders.

Details of the current membership of the JPS is as follows:

<i>A. Active members</i>	<i>2009-10</i>	<i>2008-09</i>
Active members B/F	2,136	2,137
Adjustment to opening figure	4	-
Add: New entrants in the year	174	105
Less: Retirements in the year	(75)	(101)
Transfers out	0	-
Deferred members	(1)	(2)
Deaths	(2)	(3)
<b>Active members at 31 March</b>	<b>2,236</b>	<b>2,136</b>

<i>B. Deferred members</i>	<i>2009-10</i>	<i>2008-09</i>
Deferred members B/F	7	7
Add: Members leaving who have deferred pension rights	1	2
Less: Members whose deferred pension rights have come into payment	(2)	(2)
Less: Members who are re-appointed to Judicial posts	0	-
<b>Deferred members at 31 March</b>	<b>6</b>	<b>7</b>

<i>C. Pensioners in payment</i>	<i>2009-10</i>	<i>2009-10</i>	<i>2009-10</i>	<i>2008-09</i>
	<i>Members</i>	<i>Dependants</i>	<i>Total</i>	<i>Total</i>
Pensioners in payment B/F	1,053	480	1,533	1,450
Adjustment to opening figure	(1)	(2)	(3)	0
Members retiring in year at normal retirement age (1)	77	0	77	106
Members retiring in year, previously in receipt of Guaranteed Minimum Pension (GMP)	(19)	0	(19)	(20)
Members in receipt of GMP	16	0	16	34
New dependants	0	41	41	36
Deaths in year	(49)	(29)	(78)	(72)
Cessation of full time education	0	(2)	(2)	(1)
Suspension of pension (2)	0	(2)	(2)	0
<b>Pensioners in payment at 31 March</b>	<b>1,077</b>	<b>486</b>	<b>1,563</b>	<b>1,533</b>

(1) This includes two preserved awards and one pension sharing on divorce award

(2) This is two children's pensions in suspension

## **Further Information**

Any enquiries about the JPS should be addressed to:

Judicial Pensions Scheme,  
Judicial Appointments and Human Resources Division  
Ministry of Justice  
102 Petty France  
London SW1H 9AJ.

Resource Accounts from 2003-04 to 2005-06 can be found at:  
[www.DCA.gov.uk/dept/depstrat.htm](http://www.DCA.gov.uk/dept/depstrat.htm)

Resource Accounts from 2004-05 onwards can be found within the House of Commons Papers sections, or via the search function, at:  
[www.official-documents.gov.uk/menu/browseDocuments.htm](http://www.official-documents.gov.uk/menu/browseDocuments.htm)

*Sir Suma Chakrabarti*  
Accounting Officer

Date: 13 July 2010

## REPORT OF THE ACTUARY

### Introduction

The Judicial Pension Scheme (JPS) is an unfunded public service pension scheme, but is not a registered pension scheme for the purposes of the Finance Act 2004. Participating Judicial Appointing or Administering Bodies make contributions known as accruing superannuation liability charges (ASLCs). ASLCs are assessed regularly by the Scheme Actuary to be broadly consistent with those which might have applied had the scheme been funded on an approved or registered basis.

### Liabilities

The capitalised value as at 31 March 2010 of expected future benefit entitlements under the JPS for benefits accrued in respect of service (or former service) prior to 31 March 2010, has been assessed using the methodology and assumptions summarised below. The key assumption is the discount rate of 1.8%, applicable from 31 March 2010, and the results are as follows:

<b>Value of Liabilities (1.8%) at 31 March 2010</b>	<b>£ Million</b>
<b>Serving Members (Past Service)</b>	<b>1,461</b>
<b>Deferred Pensions</b>	<b>3</b>
<b>Pensions in Payment</b>	<b>928</b>
<b>Total</b>	<b>2,392</b>

### Accruing Costs

The cost of benefits accruing for each year of service is met by a contribution from the Appointing or Administering Bodies who are deemed as the 'employers' and by contributions from individual Judicial Office Holders. The total cost of benefits accruing in the year 2009-10 has been assessed using the methodology and assumptions applicable as at the start of the year (1 April 2009) summarised below. The cost of accruing benefits, including Judicial Office Holders contributions, has been assessed as being 40.65% of pay. This includes an element of 0.25% as a contribution towards the administration costs of the scheme.

The actual contribution rate paid by the Judicial Appointing or Administering Bodies was 32.15% of pensionable salary in 2009-10, including 0.25% towards administration costs. This contribution rate, after allowing for Judicial Office Holder contributions, is lower than the cost of the accruing benefits shown above. This is because employer contribution rates are based on the accruing cost assessed by reference to the long term view of real investment yields, whereas the accruing annual cost disclosed for accounts purposes is based on a short term view of market investment yields. At present, the short term market real yield is lower than the expected long term real yield, which results in a higher contribution rate being disclosed in the Scheme's accounts.

Based on a pensionable payroll of £263 million, the actual contributions receivable for the financial year 2009-10 were £88.9 million, of which £4.9 million relates to employee contributions (including employee AVC contributions).

### **Methodology**

The value of the liabilities has been obtained by using the projected unit method, with allowance for expected future pay increases in respect of active members. The standard contribution rate for accruing costs has been determined using the projected unit method, with a control period of 3 years.

### **Assumptions**

The principal financial assumptions adopted for the pension assessments made in relation to this statement are in accordance with the discount rates set by HM Treasury for unfunded pension schemes in the public sector in Great Britain. For the 2009 FRS17 assessment the discount rate in excess of inflation was 3.2%. For the current year, the prescribed rate is 1.8%. The assumed rate of future price inflation is 2.75%. This reflects the changing real yields experienced in the bond markets. The demographic assumptions used for these assessments are derived from the specific experience of the membership of this scheme and are those adopted for the most recent review of the ASLC, except for a strengthening of the mortality assumptions.

### **Notes**

The figures in paragraph 2 and 3 of this Statement are based on the results of the actuarial assessment carried out as at 31 March 2009, calculated on a real yield of 3.2% and 1.8%. Approximate updating has been used for the subsequent financial year to reflect known changes that have occurred within the period from 31 March 2009 to 31 March 2010, based on the available data. The method assumes that the profile of the membership has remained stable within the period and the results should be viewed as a reasonable assessment of the order of magnitude of the liabilities, rather than a full actuarial assessment. The next detailed assessment of the liabilities will be made as at 31 March 2013.

The pension benefits taken into account in this assessment are those normally provided from the rules of the scheme, including normal retirement benefits, ill-health retirement benefits, and benefits applicable following the death of the member. Service awards are not included in this assessment.

D G Ballantine  
Government Actuary's Department

7 June 2010

## **STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES**

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Judicial Pensions Scheme (JPS) to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction.

With the exception of certain transactions (which are accounted for on a cash basis) the financial statements are prepared on an accruals basis and must give a true and fair view of the financial transactions of the Scheme during the year and the disposition, at the end of the financial year, of the net liabilities. Note 2 "Statement of accounting policies" to the financial statements describes those transactions which are accounted for on a cash basis, the use of which has no material effect on the net outgoings for the year nor on the net liabilities at the year end.

In preparing the financial statements, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and, in particular, to:

- observe the accounts direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual (FReM), have been followed and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

HM Treasury has appointed the Permanent Secretary of the Ministry of Justice as Accounting Officer for the JPS. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the pension scheme are set out in Chapter Three of Managing Public Money, published by HM Treasury.

## **STATEMENT ON INTERNAL CONTROL**

### **Scope of Responsibility**

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Ministry of Justice's (MoJ) policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

MoJ, as lead ministry for judicial pensions within the UK, has full responsibility for the central administration of the Judicial Pensions Scheme (JPS). The JPS Estimate covers the payment of pensions and other related benefits normally paid out of funds voted by Parliament. It also appropriates in aid pension contributions from bodies with judicial appointments, in the form of accrued superannuation liability charges, and members' contributions.

The JPS Estimate excludes the payment of pension benefits met directly from the Consolidated Fund (CF), which are authorised by the Exchequer Fund Account Team (EFA) of HM Treasury.

As Accounting Officer, I work with Ministers and senior MoJ Management through the Corporate Management Board and other meetings and correspondence to implement the MoJ's plans, allocate resources and delegate financial authority to senior staff. The administration of the JPS has been delegated to the Judicial Appointments and HR Division (JAHRD), which is from 1 June 2010, part of the Law, Rights and International Group, within the MoJ. I therefore place reliance upon the annual statement of assurance from JAHRD.

### **The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide a reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of JPS policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. In particular, the system of internal control is designed to safeguard against fraud and minimise omissions and material errors in the payment of pensions and receipt of contributions from Appointing Bodies and JPS members.

The system of internal control has been in place in the MoJ for the year ended 31 March 2010 and up to the date of approval of the annual accounts, and accords with Treasury guidance.

### **Capacity to Handle Risk**

The Ministry's Risk Management Strategy, Policy and Framework document, approved and endorsed by the Corporate Management Board was published in July

2008. The document is available to all staff on the MoJ's intranet. This, in conjunction with the guidance on the Quarterly Risk Reporting process sets out the Ministry's attitude to risk in the achievement of its policies and objectives, and provides guidance on the process of identifying, assessing and managing risk.

The JPS Board oversees the financial, accounting and administrative functions of the Scheme, which the HR Director, Access to Justice, chairs and the MoJ's Internal Audit Division is represented on the Board.

### **The Risk and Control Framework**

Risks that threaten the JPS's objectives are identified and analysed in terms of impact, materiality and probability, assigned to an individual owner and reported regularly at JPS Board level.

JAHRD is represented on the Knowledge and Information Liaison Officers network which provides a structured and co-ordinated approach throughout the Ministry for Freedom of Information and Data Protection/Handling matters. JAHRD has reviewed its data protection/handling arrangements as part of the MoJ Annual Assessment of Information Risk. No significant control issues were highlighted as the result of this review. JAHRD has worked successfully with the MoJ's Data Access and Compliance Unit (DACU) to improve and strengthen its information handling processes against departmental guidance.

The other key elements in the JPS's control system are regular financial and management information. In particular this includes management reports by the Scheme Administrator to the JPS Board, including financial reports, on an exception basis, the position on any business risk – financial, accounting and operational.

### **Pensioner Payroll**

Xafinity Paymaster Limited (Paymaster) are contracted to provide payroll services for the payment of base pensions and pension increases paid from the Consolidated Fund and the JPS Estimate. Paymaster operates appropriate corporate governance and internal control arrangements and their operations are audited. JAHRD actively manages and monitors the performance of contract.

### **Financial and accounting support**

Liberata UK Limited (Liberata) maintains and manages the JPS accounts at the Office of HM Paymaster General/Government Banking Service. Liberata also provides and maintains the accounting system that supports the JPS accounts. These services are provided under the terms of the company's contract with the MoJ. Liberata provides assurance that the services provided by them have been delivered in compliance with the assurance and control requirements of that contract.

## **Review of Effectiveness**

As Accounting Officer, I have responsibly for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the administrators of the JPS, who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Corporate Management Board, the Corporate Audit Committee and the Internal Audit Division, as indicated below, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

**The Corporate Management Board:** this Board approved the Ministry's Framework and Policy Document and have been involved in the development of the Corporate Risk Register. The Board meet regularly to consider and discuss the quarterly risk reports which would include any significant JPS risks and any issues arising.

**The Corporate Audit Committee:** The Committee meets a minimum of four times each year and the Chair is a non-executive member of the Corporate Management Board. The Committee would receive updates on any material weakness in the administration of the JPS as identified. The Committee advises on reports made by Internal Audit and the National Audit Office.

**Internal Audit Division (IAD):** The MoJ's IAD operates to the Government Internal Audit Standards. It submits reports on the adequacy and effectiveness of the JPS's administrative processes and makes recommendations for improvement.

## **Significant Internal Control Issues**

As reported in the 2008-09 Resource Accounts, there were a number of over and underpayments of Guaranteed Minimum Pensions (GMPs). 191 pensioners were affected by overpayment of GMP and 71 pensioners were affected by underpayment of GMP.

In accordance with the decision made by Ministers all past overpayments were written off, and the pensions affected were corrected from April 2009. In addition, the JPS Scheme Administrator has instigated a number of new procedures to ensure that the correct GMP data is held. Following the recommendations made in the report by the National Audit Office (NAO) H.M. Revenue and Customs (HMRC) set up a group to support them in their lead responsibility for the GMP process. The JPS is a member of that group.

There are no other significant internal control issues for the JPS.



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This statement applies to the JPS. The Statement on Internal Control for the MoJ as a whole will be available from the Stationery Office when the MoJ's 2009-10 Resource Accounts are published later this year.

Sir Suma Chakrabarti  
Accounting Officer

Dated: 13 July 2010

## **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS**

I certify that I have audited the financial statements of the Judicial Pension Scheme (the Scheme) for the year ended 31 March 2010 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Revenue Account, the Statement of Gains and Losses, the Statement of Financial Position, the Statement of Cash Flows and the Statement of Changes in Taxpayer's Equity, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### **Respective responsibilities of the Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Scheme; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **Opinion on Regularity**

- In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **Opinion on Financial Statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Scheme's affairs as at 31 March 2010 and of its net cash requirement, net resource outturn, net outgoings, recognised gains and losses, equity and cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

**Opinion on other matters**

In my opinion:

- the information given in the Report of Manager and the Report of the Actuary for the financial year for which the financial statements are prepared are consistent with the financial statements.

**Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

**Report**

I have no observations to make on these financial statements.

Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
London  
SW1W 9SP

Date 16 July 2010

## Statement of Parliamentary Supply for the Year ended 31 March 2010

### Summary of Resource Outturn 2009-10

Request for Resources	Note	2009-10 Estimate			2009-10 Outturn			2009-10 Difference	2008-09 Outturn
		Gross Expenditure £'000	A-in-A £'000	NET TOTAL £'000	Gross Expenditure £'000	A-in-A £'000	NET TOTAL £'000	Net total outturn compared with Estimate saving/ (excess) £'000	NET TOTAL £'000
Pensions	3	154,400	87,364	67,036	151,200	87,364	63,836	3,200	61,149
<b>Total resources</b>		<b>154,400</b>	<b>87,364</b>	<b>67,036</b>	<b>151,200</b>	<b>87,364</b>	<b>63,836</b>	<b>3,200</b>	<b>61,149</b>

### Net Cash Requirement 2009-10

Note	2009-10 Estimate	2009-10 Outturn	2009-10 Difference	2008-09 Outturn
	£'000	£'000	£'000	£'000
Net cash requirement	4	1	1	-

### Summary of income payable to the Consolidated Fund

In addition to Appropriations in Aid the following income relates to the Scheme and is payable to the Consolidated Fund (cash receipts being shown in Italics).

	Note	2009-10 Forecast		2009-10 Outturn	
		Income £'000	<i>Receipts</i> £'000	Income £'000	<i>Receipts</i> £'000
<b>Total</b>	5	-	<b>58,522</b>	<b>58,331</b>	<b>58,331</b>

The notes on pages 23 to 40 form part of these accounts

## Revenue Account for the Year Ended 31 March 2010

		2009-10		2008-09	
				Restated	
	Note	£'000	£'000	£'000	£'000
<b>Income</b>					
Contributions receivable	7	(88,867)		(85,568)	
Other pension income	8	(658)		(634)	
			(89,525)		(86,202)
<b>Out-goings</b>					
Pension cost	9	107,000		117,000	
Interest on scheme liabilities	10	108,000		98,000	
Administration expenses	11	400		400	
			215,400		215,400
<b>Net outgoings for the year</b>			<b>125,875</b>		<b>129,198</b>

## Statement of Recognised Gains and Losses For the Year Ended 31 March 2010

		2009-10	2008-09
	Note	£'000	£'000
Actuarial gains/(losses)	16(e)	(479,000)	197,000
<b>Recognised gains/(losses) for the financial year</b>		<b>(479,000)</b>	<b>197,000</b>

The notes on pages 23 to 40 form part of these accounts

**Statement of Financial Position  
as at 31 March 2010**

	Note	31 March 2010		31 March 2009 Restated		31 March 2008	
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Current assets:</b>							
Receivables	13	7,633		7,220		7,097	
Cash and cash equivalents	14	<u>11,757</u>		<u>11,166</u>		<u>10,138</u>	
<b>Total Assets</b>			19,390		18,386		17,235
<b>Current Liabilities:</b>							
<b>Payables (within 12 months)</b>	15	<u>(11,866)</u>		<u>(11,364)</u>		<u>(12,513)</u>	
			<u>(11,866)</u>		<u>(11,364)</u>		<u>(12,513)</u>
<b>Net current assets, excluding pension liability</b>			7,524		7,022		4,722
<b>Non current liabilities:</b>							
<b>Pension liability</b>	16		(2,391,539)		(1,773,997)		(1,829,294)
<b>Net liabilities, including pension liability</b>			<u>(2,384,015)</u>		<u>(1,766,975)</u>		<u>(1,824,572)</u>
<b>Taxpayers' equity:</b>							
General fund			(2,384,015)		(1,766,975)		(1,824,572)
			<u>(2,384,015)</u>		<u>(1,766,975)</u>		<u>(1,824,572)</u>

*Sir Suma Chakrabarti*

Date: 13 July 2010

Accounting Officer

The notes on pages 23 to 40 form part of these accounts

## Statement of Cash Flows for the Year Ended 31 March 2010

	Note	2009-10 £'000	2008-09 £'000
<b>Cash flows from operating activities:</b>			
Net outgoing for the year	3	(125,875)	(129,198)
Adjustments for non-cash transactions:			
Contributions receivable directly by the Consolidated Fund	4	(126)	(105)
Income attributable to Judiciary at the Corporation of London	4	(101)	(103)
(Increase) / decrease in cash receivables		(537)	(66)
Increase / (decrease) in cash payables		718	(207)
Increase in pension provision	9 & 10	215,000	215,000
Use of provision - pension liability	16(d)	(30,161)	(27,799)
<b>Net increase / (decrease) in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund</b>		<b>58,918</b>	<b>57,522</b>
Payment of amounts due to the Consolidated Fund		(58,327)	(57,747)
<b>Net increase / (decrease) in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund</b>		<b>591</b>	<b>(225)</b>
Cash and cash equivalents at the beginning of the year	14	11,166	11,391
<b>Cash and cash equivalents at the end of the year</b>	14	<b>11,757</b>	<b>11,166</b>

Cash and cash equivalents at the beginning of the year have been adjusted to include amounts held by Xafinity Paymaster.

The notes on pages 23 to 40 form part of these accounts

## Statement of Changes in Taxpayers Equity for the Year Ended 31 March 2010

		2009-10	2008-09
	Note	£'000	£'000
<b>Balance at 31 March</b>		1,768,321	1,824,572
Changes in accounting policy – Xafinity Paymaster cash		(1,346)	(1,253)
<b>Restated balance at 1 April</b>		<u>1,766,975</u>	<u>1,823,319</u>
Consolidated Fund:			
Pension payable by the Consolidated Fund	16(d)	(46,297)	(45,498)
Accruals adjustment for pension payable by the Consolidated Fund regarding other years		(96)	(666)
Contributions receivable directly by the Consolidated Fund	4	126	105
Accruals adjustment for contributions receivable directly by the Consolidated Fund regarding other years		-	(58)
Excess Appropriations-in-Aid	6	2,161	2,550
Extra receipts payable to the Consolidated Fund	5	56,170	54,922
Income attributable to the Judiciary at the Corporation of London	4	101	103
Combined Net Expenditure for the year (Revenue Account)	3	125,875	129,198
Actuarial loss / (gain)	16(e)	479,000	(197,000)
<b>Balance at 31 March</b>		<u><u>2,384,015</u></u>	<u><u>1,766,975</u></u>

The notes on pages 23 to 40 form part of these accounts



## **Notes to the Scheme Statements for the year ended 31 March 2010**

### **1. Basis of preparation of the Scheme Statements**

#### **First time adoption of IFRS**

The 2009-10 Resource Accounts have been prepared in accordance with the relevant provisions of the International Financial Reporting Standards (IFRS) as recorded in the Government Financial Reporting Manual (FReM), issued by HM Treasury, which reflects the requirements of International Accounting Standards (IAS) 19 Employee Benefits and IAS 26 Accounting and Reporting by Retirement Benefit Plans.

The major judgements and assumptions used in producing the accounts are dealt with in note 2. The major assumptions used by the actuary in calculating the pension liability can be found in note 16(a). These accounts show the unfunded pension liability and movements in that liability during the year.

These accounts also have regard to the Statement of Recommended Practice (SORP) entitled Financial Reports of Pension Schemes as adapted by the Treasury for public sector pension schemes. They have been laid in accordance with the Government Resources and Accounts Act 2000, chapter 20, Section 6 (4).

In addition to the primary statements prepared under IFRS, the FReM also requires the scheme to prepare an additional statement – *a Statement of Parliamentary Supply*. This and its supporting notes, show Outturn against Estimate in terms of the net resource requirement and the net cash requirement.

In line with HM Treasury advice, Prior Period Adjustments (PPAs) arising from the adoption of IFRS were not included in spring Supplementary estimates for 2009-10 on the basis that the PPA numbers could have been misleading, particularly where transactions may well have pre-dated the 2001-02 cut off point for reporting PPAs, as only part of an obligation would have been included. PPAs arising from a change in accounting policy related to other than IFRS were included in the estimates in line with conventional arrangements.

The Scheme accountants have reviewed the balances and transactions in the financial statements for adjustments required on transition from UK Accounting Standards to International Financial Reporting Standards (IFRS). The only adjustment identified is the separation of £400k of administration costs from the net contributions figure in the Revenue Account. No further adjustments were required to make the accounts IFRS compliant.

#### **1.1 Judicial Pensions Scheme (JPS)**

The Scheme Statement summarises the transactions of the JPS irrespective of whether the source is from funds voted by Parliament to Appointing Bodies or

whether it is met directly from the Consolidated Fund. The Statement of Financial Position shows the deficit on the Scheme; the Revenue Account shows, amongst other things, the movements in the liability analysed between the current service costs (which are actuarially assessed), transfers in and out, as well as the interest on the scheme liability. The actuarial position of the Scheme is dealt with in the Report of the Actuary, and the Scheme Statement should be read in conjunction with that Report.

## **Going Concern**

The Statement of Financial Position as at 31 March 2010 shows a net pension liability of £2,391,539,000 (2008-09: £1,773,997,000). This reflects the inclusion of liabilities falling due in the long-term, which are to be financed mainly by drawings from the Consolidated Fund. Such drawings will be grants of Supply approved annually by Parliament to meet the Scheme's pension benefits, which come into payment each year.

Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than as required for the service of the specified year or retained in excess of that need. All monies, including those derived from pension contributions in excess of pensions benefits paid, are surrenderable to the Fund.

In common with other public sector pension schemes, the future financing of the JPS's liabilities is to be met by future grants of Supply and the application of future pension contributions, both to be approved annually by Parliament. Such approval for amounts required for 2010-11 has already been given. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

## **2. Statement of accounting policies**

The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) to the extent that they are meaningful and appropriate to the public sector.

Where the FReM permits a choice of accounting policy, the accounting policy that has been judged to be most appropriate to the particular circumstances of the Scheme for the purpose of giving a true and fair view has been selected. The accounting policies adopted have been applied consistently in dealing with items considered in relation to the accounts.

### **2.1 Pension contributions receivable**

Appointing Bodies' normal pension contributions are accounted for on an accruals basis. Appointing Bodies meet their share of the cost of the pension cover provided to serving JPS members by payment of contributions to the Scheme each month. These contributions are called accruing superannuation liability charges (ASLCs). The Government Actuary reviews the contribution rates following a full scheme

valuation at least every four years. For both 2009-10 and 2008-09, the ASLCs were 32.15% of pensionable pay.

Active members bear a share of pension costs through making normal contributions at 1.8% or 2.4% of pensionable pay (2008-09: 1.8% or 2.4%). These contributions are referred to as Widow(er)'s Pension Scheme (WPS) contributions.

WPS contributions under the 1993 Act are accounted for on an accruals basis. Under the 1981 Act, members could elect to pay WPS contributions either throughout their service or through a reduction in their lump sum upon retirement. Where members have elected to pay these contributions throughout their service, they are accounted for on an accruals basis. Where members have elected to pay through a reduction in their lump sum, the contributions are accounted for on a cash basis.

If a member has no dependants at retirement then they will receive a refund of all WPS contributions made throughout their service. These refunds are paid with the lump sum on retirement and are accounted for on a cash basis.

Members' contributions paid in respect of the purchase of added years, or any other benefits to be gained from the Scheme, are also recognised on an accruals basis. Any associated increase in the scheme liability is recognised as expenditure.

## **2.2 Other pension income**

The Ministry of Justice (MoJ) is the manager of the JPS. Within the 32.15% Accruing Superannuation Liability Charges (ASLCs) received from Appointing Bodies is a 0.25% administration fee recognised as other pension income in these accounts.

## **2.3 Transfers in and out**

Transfers in or out of the Scheme in respect of individual members are accounted for on a cash basis. Transfer values are those sums paid to or received from other pension schemes and relate to previous periods of pensionable employment. The values have been included in the financial statements in the period in which the sums were paid to or received from another pension scheme.

## **2.4 Current service cost**

The current service cost is the increase in the present value of the scheme liabilities arising from current members' service in the current period and is recognised in the Revenue Account. The cost is based on the assumptions used by the Actuary.

## **2.5 Past service costs**

Past service costs represent increases in the present value of the scheme liabilities related to member service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Past service costs are recognised in the Revenue Account on a straight-line basis over the period in which the increase in benefit arises. These costs do not arise in relation to the current year's accounts.

### **2.6 Interest on scheme liabilities**

The interest cost is the increase during the period in the present value of the scheme liabilities because accrued members benefits are one year closer to settlement and this is recognised in the Revenue account. The gross discount rate of 4.60 per cent (2008-09 6.04 per cent) is consistent with the assumptions used for current service costs (2.4 above).

### **2.7 Other payments**

Other payments unusual in nature may be accounted for on an accruals basis where the amount of the obligation on the Scheme is known with certainty; otherwise they are accounted for on a cash basis.

### **2.8 Scheme liability**

Provision is made for liabilities to pay pensions and other benefits in the future. The scheme liability is measured on an actuarial basis using the projected unit method and has been discounted at a real rate, as prescribed by HM Treasury, which for 2009-10 is 3.2 per cent per annum real (2008-09: 2.5 per cent). The valuation takes account of the overnight change in the Scheme's liabilities as a result of the change in the discount rate to 1.8 per cent real as at 31 March 2010. Such changes are recognised in the statement of recognised gains and losses for the year as advised by HM Treasury.

Full actuarial valuations by a professionally qualified Actuary are obtained at intervals not exceeding four years with interim valuations every two years. The full valuation was carried out as at 31 March 2009.

### **2.9 Pension benefits payable**

Pension benefits payable are accounted for as a decrease in the scheme liability on an accruals basis, although pension receivables and payables under a threshold of £5,000 are not recognised.

### **2.10 Pension payments to those retiring at their normal retirement age**

Since a retiring member of the Scheme has no choice over the allocation of benefits receivable between the value of the lump sum and the annual pension, the transaction is accounted for as a decrease in the scheme liability on an accruals basis.

### **2.11 Pension payments to and on account of leavers before their normal retirement age**

Where a member of the Scheme is entitled only to a refund of contributions, the transaction is accounted for as a decrease in the scheme liability on an accruals basis.

### **2.12 Lump sums payable on death in service (or death early in retirement)**

Lump sum payments payable on death in service or in early retirement are accounted for on an accruals basis. They are a direct charge to the pension provision, as they are funded through the normal pension contributions.

### **2.13 Actuarial gains/losses**

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the Statement of Financial Position date are recognised in the Statement of Recognised Gains and Losses for the year. These gains and losses are based on the figures provided by the Actuary and the related assumptions, which have been deemed appropriate by GAD and Scheme Managers.

### **2.14 Additional Voluntary Contributions**

Active members are able to increase their personal pension benefits and/or dependants' entitlements by making additional voluntary contributions (AVCs) to one of three AVCs within the Scheme and also externally, to approved AVC providers – The Equitable Life Assurance Society and Prudential plc.

#### **2.14.1 Internal arrangements**

The three AVC arrangements within the JPS are provided for under the Judicial Pensions and Retirement Act 1993 ("the 1993 Act") and the Judicial Pensions Act 1981 ("the 1981 Act") as amended by the 1993 Act. The arrangements are as follows:

- The Judicial Added Benefit Scheme (JABS) (for 1981 Act members only). JABS enables members to increase the level of benefits payable from their main Judicial Pension Scheme.
- The Judicial Added Years Scheme (JAYS) (for 1993 Act members only). JAYS enables members of the 1993 Scheme to increase the length of service and the benefits at retirement.
- The Judicial Added Surviving Spouse's Pension Scheme (JASSPS) (for 1993 Act members only). JASSPS enables members to make contributions that will increase only the level of the contingent surviving spouse's or civil partner's pension.

All three of these AVC facilities were closed to new subscribers with effect from 6 April 2006.

#### **2.14.2 External arrangements**

All external arrangements are not brought to account in these Resource Accounts.

Members' contributions to AVCs provided externally by "approved providers" are deducted from Judicial Office Holders' salaries and are paid over directly by the Appointing Bodies (who are deemed as 'the employing departments') to the approved providers. These contributions to external providers are not brought to account within these Scheme Accounts but are disclosed for information in note 12.

The Judicial Additional Voluntary Contributions Scheme enables contributions to be made to an "authorised provider", which is an independent pension provider who invests the scheme members' contributions at the scheme members' directions within a range of investment options. The funds are used to purchase pension benefits for the scheme member or their dependants on a money purchase basis.

In addition, life assurance (death in service benefits) may also be purchased by contributions to the authorised provider.

The authorised providers are The Equitable Life Assurance Company and Prudential plc. The benefits under these two arrangements are provided for from investments in external funds managed by the two companies and are therefore not included in the JPS Statement of Financial Position on page 20.

### **2.15 Administration fees**

The JPS is authorised by HM Treasury to pay the Ministry up to £400,000 of the administration fees received, per annum. In 2009-10 the full £400,000 was passed over to the Ministry, deemed as the cost of administering the Scheme. This payment is reported in MoJ's Resource Accounts.

### **2.16 Other expenses**

Other pension related expenses to the Judiciary (such as payments for early retirement and ex-gratia payments) are borne by the relevant Appointing Body and reported in their Departmental Resource Accounts.

### **2.17 Consolidated Fund pension payments**

Pension payments met directly from the Consolidated Fund and not from the funds held by the JPS are reflected in these accounts as notional expenditure. The JPS has no control over the issue of these payments.

The ultimate control for pensions paid out of the Consolidated Fund remains with the Comptroller and Auditor General.

### 3. Reconciliation of net resource outturn to net outgoings

	Note	2009-10			2008-09
		Supply Estimate	Outturn	Outturn compared with Estimates	Outturn
		£'000	£'000	£'000	£'000
Net resource outturn		67,036	63,836	3,200	61,149
Operating income & receipts – excess A-in-A	6	-	(2,161)	2,161	(2,151)
Non-supply expenditure	9	63,600	64,200	(600)	70,200
<b>Net outgoings for the year</b>		<b>130,636</b>	<b>125,875</b>	<b>4,761</b>	<b>129,198</b>

#### Explanation of variation between Resource Estimate and Outturn:

The total variance during the year was an under-spend of £3,200,000 (5% of net estimate). This is accounted for by a downward revision of the Scheme's Current Service and Interest Costs as advised by the Government Actuary's Department.

### 4. Reconciliation of resources to cash requirement

	Note	2009-10			2008-09
		Estimate	Outturn	Net Total Outturn compared with estimate: saving/ (excess)	£'000
		£'000	£'000	£'000	£'000
Net resource outturn	3	67,036	63,836	3,200	61,549
Accruals adjustments					
Increase in provision		(154,400)	(150,800)	(3,600)	(144,800)
Other non-cash items:					
Contributions receivable directly by the Consolidated Fund		-	126	(126)	105
Notional income attributable to the Judiciary at the Corporation of London		-	101	(101)	103
Changes in working capital other than cash		-	406	(406)	322
Use of provision:					
Pensions	16(d)	28,843	30,161	(1,318)	27,799
Excess cash receipts surrenderable to the Consolidated Fund	5	58,522	56,170	2,352	54,922
<b>Net cash requirement</b>		<b>1</b>	<b>-</b>	<b>1</b>	<b>-</b>

## Explanation of the variation between Estimate net cash requirement and Outturn net cash requirement:

The variation between Estimate and actual Net Cash Requirement is not considered to be significant under the rules currently laid down by Managing Public Money.

## 5. Analysis of income payable to the Consolidated Fund

In addition to Appropriations-in-Aid, the following income relates to the Scheme and is payable to the Consolidated Fund (cash receipts shown in italics)

	Note	2009-10 Forecast		2009-10 Outturn	
		Income £'000	<i>Receipts</i> £'000	Income £'000	<i>Receipts</i> £'000
Operating income and receipts - excess A in A	6	-	-	2,161	<i>2,161</i>
Excess cash receipts surrenderable to the Consolidated Fund		-	<i>58,522</i>	56,170	<i>56,170</i>
<b>Total income payable to the Consolidated Fund</b>		<b>-</b>	<b><i>58,522</i></b>	<b>58,331</b>	<b><i>58,331</i></b>

## 6. Reconciliation of income recorded within the Revenue Account to operating income payable to the Consolidated Fund

	Note	2009-10 £'000	2008-09 £'000
Operating Income:			
Pension contributions receivable	7	88,867	85,567
Other pension income	8	658	634
Income authorised to be appropriated-in-aid		(87,364)	(83,651)
<b>Operating income payable to the Consolidated Fund - excess A in A</b>	<b>5</b>	<b>2,161</b>	<b>2,550</b>



## Revenue Account

### 7. Pension contributions receivable

	<b>2009-10</b>	<b>2008-09</b>
	£'000	£'000
Employers; appointing bodies:		
Accruing Superannuation Liability Charges (ASLCs)	83,941	80,893
Employees; Judicial Office-holders:		
Normal contributions: Widow(er)s' Pension Scheme (WPS)	4,315	3,982
Purchase of Added Years: internal JPS AVC's only	611	693
	<b>88,867</b>	<b>85,568</b>

Judicial Office-holders' contributions may fluctuate from year to year as members can elect to change their rates of contributions and elect to defer their contribution payments until they receive their lump sums.

### 8. Other pension income

	<b>2009-10</b>	<b>2008-09</b>
	£'000	£'000
Administration fees receivable from appointing bodies	658	634
	<b>658</b>	<b>634</b>

### 9. Pension Cost

	<b>2009-10</b>	<b>2008-09</b>
	£'000	£'000
Current service cost: (see note 16c)		
Judiciary paid from the JPS Estimate and pension increases for all Judiciary	42,800	46,800
Judiciary paid from the Consolidated Fund (notional expenditure)	64,200	70,200
	<b>107,000</b>	<b>117,000</b>

The pension cost is apportioned between Vote and non-Vote expenditure based on a percentage split provided by the Government Actuary's Department. The 2009-10 pension cost has been allocated at 40% Vote and 60% non-Vote (2008-09: 40% Vote and 60% non-Vote).

## 10. Interest on scheme liabilities

	<b>2009-10</b>	<b>2008-09</b>
	£'000	£'000
Interest charge for the year (see note 16c)	108,000	98,000
	<b>108,000</b>	<b>98,000</b>

## 11. Administration Expenses

	<b>2009-10</b>	<b>2008-09</b>
	£'000	£'000
Administration expenses paid to the Ministry	400	400
	<b>400</b>	<b>400</b>

## 12. Additional Voluntary Contributions to External Approved Providers

The JPS provides for members to make additional voluntary contributions (AVCs) to increase their pension entitlements. Members may arrange to have agreed sums deducted from their salaries, for onward payment to the approved providers, the Equitable Life Assurance Company and Prudential plc. The Managers of the JPS have responsibility only for the onward payment, by Appointing Bodies, of members' contributions to the provider. These AVC's are not brought to account in these Scheme Accounts. Members of the Scheme participating in this arrangement receive an annual statement from the provider annually confirming the amounts held to their account and the movements in the year.

The aggregate amounts of AVC investments are as follows:

	<b>Equitable Life</b>		<b>Prudential</b>	
	<b>2009-10</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2008-09</b>
	£'000	£'000	£'000	£'000
<b>Movements in the year</b>				
Balance at 1 April	601	648	570	365
New investments	39	42	367	264
Sales of investments to provide pension benefits	(208)	-	-	(16)
Changes in market value of investments	138	(89)	141	(43)
<b>Balance at 31 March</b>	<b>570</b>	<b>601</b>	<b>1,078</b>	<b>570</b>
Contributions received to provide life cover	4	4	1	1
Benefits paid on death	-	-	-	-

## Statement of Financial Position

### 13. Receivables – contributions due in respect of pensions

#### 13 (a) Analysis by type

Amounts falling due within one year

	2009-10	2008-09	2007-08
	£'000	£'000	£'000
Pension contributions due from appointing bodies:			
Accruing Superannuation Liability Charges (ASLCs), including administration fees	7,238	6,795	6,643
Pension contributions due from Judicial Office-holders:			
Normal contributions - Widow(er)s' Pension Scheme (WPS)	343	316	312
Purchase of Added Years: internal JPS AVC's only	48	55	62
Overpaid pensions to be returned	4	11	76
Tax due from HM Revenue and Customs	-	-	4
Xafinity Paymaster	-	43	-
	<b>7,633</b>	<b>7,220</b>	<b>7,097</b>

#### 13 (b) Intra-Government balances

	2009-10	2008-09	2007-08
	£'000	£'000	£'000
Balances with other central government bodies	7,238	6,795	6,647
Balances with bodies external to government	395	425	450
	<b>7,633</b>	<b>7,220</b>	<b>7,097</b>

#### 13 (c) Parliamentary Estimate balances

	2009-10	2008-09	2007-08
	£'000	£'000	£'000
Balances within the Parliamentary Estimate	7,630	7,213	7,093
Balances outside of the Parliamentary Estimate	3	7	4
	<b>7,633</b>	<b>7,220</b>	<b>7,097</b>

## 14. Cash and cash equivalents

	2009-10 £'000	2008-09 £'000	2007-08 £'000
Balances as at 1 April	11,166	10,138	8,990
Net change in cash balances	591	1,028	1,148
<b>Balance due to Consolidated Fund at 31 March</b>	<b>11,757</b>	<b>11,166</b>	<b>10,138</b>
The following balances at 31 March were held at:			
Office of HM Paymaster General	9,867	9,863	10,138
Xafinity Paymaster	1,890	1,303	-
	<b>11,757</b>	<b>11,166</b>	<b>10,138</b>

Cash held by Xafinity Paymaster has been included from 2008-09.

## 15. Payables – in respect of pensions

### 15 (a) Analysis by type

Amounts falling due within one year

	2009-10 £'000	2008-09 £'000	2007-08 £'000
Pension benefits payable – death in service lump sums	-	97	1,006
Pension benefits payable – lump sums due on retirement	295	-	-
Pension benefits payable – pension arrears	-	13	12
Pension benefits payable – overpayments over-recovered	-	1	2
Contributions received in advance	29	-	58
Tax due to HM Revenue and Customs	1,642	1,346	1,253
Administration charges due to Ministry of Justice	33	33	33
Consolidated Fund Extra Receipts due to the Consolidated Fund	9,867	9,863	10,138
Consolidated Fund Debtors written off, so due back to the Consolidated Fund	-	11	11
<b>Total Creditors</b>	<b>11,866</b>	<b>11,364</b>	<b>12,513</b>

### 15 (b) Intra-Government balances

	2009-10 £'000	2008-09 £'000	2007-08 £'000
Balances with other central government bodies	11,571	11,253	11,435
Balances with bodies external to government	295	111	1,078
	<b>11,866</b>	<b>11,364</b>	<b>12,513</b>

## 15 (c) Parliamentary Estimate balances

	2009-10	2008-09	2007-08
	£'000	£'000	£'000
Balances within the Parliamentary Estimate	229	55	1,122
Balances outside of the Parliamentary Estimate	1,770	1,446	1,253
	1,999	1,501	2,375
Consolidated Fund Extra Receipts	9,867	9,863	10,138
	<b>11,866</b>	<b>11,364</b>	<b>12,513</b>

## 16. Provisions for pension liability

### 16 (a) Assumptions underpinning the provision for pension liability

The Judicial Pensions Scheme is an unfunded defined benefit scheme. The Government Actuary's Department carried out a full actuarial valuation as at 31 March 2009. The Report of the Actuary, on pages 9 and 10, sets out the scope, methodology and results of the work the Actuary has carried out.

The Scheme Manager is responsible for providing the Actuary with the information the Actuary needs to carry out the valuation. This information includes, but is not limited to, details of:

- scheme membership, including age and gender profile, active membership, deferred pensioners and pensioners;
- benefit structure, including details of any discretionary benefits and any proposals to amend the scheme;
- income and expenditure, including details of expected bulk transfers into or out of the Scheme; and
- following consultation with the Actuary, the key assumptions that should be used to value the scheme liabilities, ensuring that the assumptions are mutually compatible and – with the exception of the discount rate (see note 2.8) - reflect a best estimate of future experience.

The major assumptions used by the Actuary were:

	March 2010	March 2009	March 2008
Rate of notional investment return in excess of salaries	0.3%	1.7%	1.0%
Rate of notional investment return in excess of prices	1.8%	3.2%	2.5%
Gross discount rate	4.6%	6.04%	5.3%
Mortality rate tables – active and deferred members	PNXA 00 C= 2050	PXA 92 C= 2049	PXA 92 C= 2048
Mortality rate tables – pensioners	PNXA 00 C= 2025	PXA 92 C= 2024	PXA 92 C= 2023

The key assumptions are inherently uncertain, since it is impossible to predict with any accuracy future changes in the rate of salary increases, inflation, longevity, or the

return on corporate bonds. The Actuary uses professional expertise in arriving at a view of the most appropriate rates to use in the annual valuation of the scheme liabilities. However the Scheme Manager acknowledges that the valuation reported in these accounts is not certain, since a change in any one of these assumptions will either increase or reduce the liability. For example, on its own, even a small rise in the assumed rate of inflation will result in a significant increase in the pension liability.

The assumption that has the biggest impact on the amount of the reported liability is the discount rate net of price inflation. As set out in the FReM, and as required by IAS 19, the discount rate net of price inflation is based on yields on high quality corporate bonds. HM Treasury advise the relevant rate each year, based on the advice of the Government Actuary’s Department. The inflation assumption reflects the long-term assumption for the RPI used in Treasury forecasting. The rates are set out in the above table. Any decrease in the discount rate net of inflation leads to a significant increase in the reported liability.

In reality, the complexity and range of assumptions underlying the calculation of the pension liability are such that a change in one financial assumption is likely to have a knock-on effect on other financial assumptions. The Scheme Manager does not consider it useful to attempt to reflect the impact of any changes in the range of assumptions, since this would result in giving a range of inherently uncertain figures. In the opinion of the Scheme Manager, the Actuary has used key assumptions that are the most appropriate for the Scheme in the light of current knowledge.

**16 (b) Analysis of the provision for pension liability**

	March 2010	March 2009	March 2008
	£m	£m	£m
Liability relating to active members	1,461	1,049	1,130
Liability relating to deferred pensioners	3	3	3
Liability relating to pensioners in payment	928	722	696
<b>Scheme liability at 31 March</b>	<b>2,392</b>	<b>1,774</b>	<b>1,829</b>

The scheme liability as assessed by the Actuary is based on a roll forward of the last full valuation as at 31 March 2009. This is the professional judgement of the Actuary based on the information provided by the Scheme Administrator (see the Report of the Actuary pages 9-10).

Pension scheme liabilities accrue over employees’ periods of service and are discharged over the period of retirement and, where applicable, the period for which a spouse, civil partner or dependants survive the pensioner. In valuing the scheme liability, the Actuary must estimate the impact of several inherently uncertain variables far into the future. The variables include not only the key assumptions noted in the table above, but also assumptions about the changes that will occur in the future in the age of retirement and the age from which a pension becomes

payable. Membership numbers in the years between full actuarial valuations are assumed to be stable.

The value of the liability on the statement of financial position may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rates of inflation or increases in salaries, the value of the pension liability will increase or decrease. The Scheme Manager accepts that, as a consequence, the valuation provided by the Actuary is inherently uncertain.

The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in note 16(e). The note also discloses 'experience' gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

### 16 (c) Analysis of movement in scheme liability

		<b>2009-10</b>	<b>2008-09</b>
	Note	£'000	£'000
Scheme liability at 1 April		1,773,997	1,829,294
Current service cost	9	107,000	117,000
Interest on pension scheme liability	10	108,000	98,000
Pension benefits payable	16(d)	(76,458)	(73,297)
Actuarial (gains)/losses	16(e)	479,000	(197,000)
<b>Scheme liability at 31 March</b>		<b>2,391,539</b>	<b>1,773,997</b>

During the years ended 31 March 2010 and 31 March 2009, employer's contributions represented an average of 32.15 per cent of pensionable pay. Employees' contributions were 2.4 or 1.8 per cent of earnings. For members in the 1993 Scheme, contributions are taken from salary up to a level reflecting the former Inland Revenue earnings cap, while members of the 1981 Scheme pay contributions based on the whole salary.

## 16 (d) Analysis of benefits payable

	2009-10		2008-09	
	£'000	£'000	£'000	£'000
Members – Base pensions	11,771		10,888	
Members – Pensions increase	10,206		8,622	
Members – Lump sum on retirement	2,953		3,579	
Dependants – Base pensions	1,564		1,445	
Dependants – Pensions increase	3,667		3,265	
<b>Pension benefits payable from Supply</b>		<b>30,161</b>		<b>27,799</b>
Members – Base pensions	32,986		30,858	
Members – Lump sum on retirement	7,767		8,999	
Dependants – Base pensions	4,859		4,545	
Dependants – Lump sum on death of member	685		1,096	
<b>Pension benefits payable from Consolidated Fund</b>		<b>46,297</b>		<b>45,498</b>
<b>Total pension benefits payable charged against provision</b>		<b>76,458</b>		<b>73,297</b>

## 16 (e) Analysis of actuarial gains and losses

	2009-10	2008-09
	£'000	£'000
Experience gains/(losses) arising on the scheme liabilities	33,000	22,000
Gains/(losses) resulting from changes in assumptions underlying the present value of scheme liabilities	(512,000)	175,000
<b>Per Statement of Recognised Gains / (Losses)</b>	<b>(479,000)</b>	<b>197,000</b>

## 16 (f) History of experience gains and losses

	2009-10	2008-09	2007-08	2006-07	2005-06
	£'000	£'000	£'000	As restated £'000	As restated £'000
<i>Experience gains/(losses) on scheme liabilities:</i>					
Amount	33,000	22,000	(117,000)	60,000	16,340
Percentage of the present value of the scheme liabilities at the balance sheet date	1.38%	1.24%	6.40%	3.69%	1.21%
<i>Total actuarial gains/(losses):</i>					
Amount	(479,000)	197,000	(82,000)	(175,000)	(83,660)
Percentage of the present value of the scheme liabilities at the balance sheet date	20.03%	11.10%	4.48%	10.75%	6.19%

The 2005-06 and 2006-07 gains and losses figures were restated in the 2007-08 financial statements. There has been no restatement during the current year.



## **17. Financial Instruments**

The Scheme has financial instruments under the definition of IAS 32 “Financial instruments: Presentation”. IFRS 7 “Financial instruments: Disclosure” requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

As the cash requirements of the Scheme are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector scheme of a similar size. Because of the non-trading nature of its activities and the way in which government departments are financed, the Judicial Pensions Scheme is exposed to little credit, liquidity or market risk. Consequently, in line with FReM, IFRS 7 disclosures are not required.

## **18. Contingent liabilities disclosed under IAS 37**

The Ministry of Justice is involved in a number of cases before employment tribunals. They involve fee paid judicial office holders claiming retrospective pension rights. The initial case was withdrawn but several new cases were brought before the Tribunal in the years 2006-07 to 2009-10. As at 31 March 2010, thirteen such claims were outstanding.

It is not possible to calculate the potential liability to the Scheme of a negative judgement, as a precedent might be set up for up to 5,000 other office holders with potential claims dating back twenty years.

## **19. Related-party transactions**

The Judicial Pensions Scheme does not fall within the ambit of the Ministry of Justice, as it obtains Parliamentary approval for its resources under a separate Supply Estimate. The Ministry of Justice is the Lead Appointing Body for most Judiciary within the Scheme, and also the Scheme Manager. The Permanent Secretary to the Ministry of Justice has been appointed as Accounting Officer for the Scheme. The Ministry of Justice is regarded as a related party.

During the year the Scheme has not undertaken any unusual material transactions with the Ministry of Justice and other participating Government Departments who appoint Judicial Office Holders that are members of the Scheme.

The Scheme Manager, key managerial staff or other related parties have not undertaken any material transactions with the Scheme during the year.

## **20. Events after the reporting period**

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date the Comptroller and Auditor General certifies the accounts.

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It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the Judicial Pension Scheme.



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