



Report to Pension Fund Committee

Date: Thursday 24 September 2020

Title: **Consultation on LGPS McCloud Remedy**

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Recommendations: **The Committee are asked to NOTE the content of the consultation response and COMMENT as necessary.**

1. Executive summary

1.1 Transitional protections given to Public Sector Pension Scheme members, who were within 10 years of their normal retirement age on 1 April 2012, have been ruled as unlawful on the grounds of age discrimination. In the LGPS, the protection is known as the statutory underpin. The Ministry of Housing, Communities and Local Government (MHCLG) issued a [consultation](#) on 16 July 2020 which closes on 8 October 2020. The draft consultation response on behalf of Buckinghamshire Pension Fund is attached at Appendix 1.

2. Content of report

- 2.1 MHCLG propose that the existing transitional underpin protections will extend to all members active on 31 March 2012 who have accrued benefits since 1 April 2014 in the career average (CARE) scheme. The underpin period will apply from 1 April 2014 to 31 March 2022 and cease on reaching the earlier of the member's 2008 scheme normal pension age, retirement, leaving or death in service.
- 2.2 Members will get the higher amount of benefits accrued under either the 2014 Scheme (CARE) or those that would have been accrued under the 2008 Scheme (final salary) in the underpin period, while retaining the final salary link into the future.
- 2.3 From 1 April 2022, all members will accrue benefits in the 2014 Scheme and there will be no underpin applied from that date.
- 2.4 Administration of the extension of the underpin will be onerous for administering authorities, requiring exercises in communication to Scheme members and Scheme

employers, data collection of hours and service breaks during the underpin period, providing the option to aggregate membership periods and to retrospectively review benefits awarded back to 1 April 2014. For many members the underpin will need to be calculated twice.

- 2.5 There will be an impact on funding and contributions. At whole fund level this should be relatively small, although there could be a larger impact on some smaller/less mature employers.
- 2.6 The Government has also announced the unpausing of the 2016 cost cap process, which will now take into account McCloud. The outcome of this process could lead to further benefit changes.

3. Other options considered

- 3.1 Not applicable.

4. Legal and financial implications

- 4.1 On conclusion of the consultation and implementation of revised regulations, the Fund will have to adhere to changes made to the LGPS. For Scheme employers, the changes proposed in the consultation document would lead to an upward pressure on scheme liabilities and potentially lead to a future increase in employer contributions. For the Fund, the administration required to collect the necessary data from Scheme employers who participated in the Fund at any point during the protection period is an immense task. Retrospective calculation of benefits for all qualifying members would be required which would increase the administration workload substantially for a prolonged period of time.

5. Corporate implications

- 5.1 Not applicable.

6. Consultation and communication

- 6.1 Scheme employers have been made aware of the consultation in order for them to submit a response. Communications have been sent to active and deferred Scheme members via their annual benefit statement and all employers have been asked to make active Scheme members aware of our dedicated [McCloud web page](#).

7. Next steps and review

- 7.1 Not applicable.