

McCloud

Introduction

The LGPS changed from a final salary scheme to a career average re-valued earnings (CARE) scheme on 1 April 2014. From that date, administering authorities were no longer required to collect certain data that used to be needed to calculate benefits built up in a final salary scheme.

The protections introduced for older members of other public service pension schemes when the Schemes were reformed in 2015 were judged to be unlawful on the grounds of age discrimination in 2018. The Government confirmed that they will make changes to all public service pension schemes to remove the discrimination.

Administering authorities will need to re-create notional final salary membership in the remedy period for those members in scope of protection by the new underpin. The remedy period runs from 1 April 2014 to 31 March 2022.

Project Planning

The Fund have a full project plan scoped out with the project objective and purpose together with a breakdown of the workstreams, milestones, risks, issues, and decisions.

Regular monthly meetings have also been set up to review both the overall status of the project and the individual workstreams ensuring attendance from all parties concerned.

Workstreams

There are four separate workstreams and this paper intends to summarise the current position of each.

- **DATA COLLECTION**
- **COMMUNICATIONS**
- **BENEFITS RECTIFICATION**
- **ONGOING ADMINISTRATION AND SYSTEMS**

Data Collection

Financial data needs to be obtained from each employer for all active members that were part of the scheme within the remedy period in order to effectively calculate the new final salary underpin.

Percentage of full time working

The Fund needs to know the dates of any changes in working hours and the percentage of full time the member started working on that date

AON have identified that only 60% of Funds have collected half of the data required to calculate the underpin.

Current status: **In progress**

Active members

Stage 1 - Obtaining data

The Fund have contacted all employers to provide this data. 156 employers have provided the data. The data for 134 employers has been uploaded to the pension database.

We are working alongside the employer to obtain the data for 17 employers, and we have escalated the issue with 9 employers who we are struggling to engage with.

Stage 2 – Validating data

We are undertaking a full analysis of the data that has been received and uploaded to ensure there are no gaps in the data required. This is ongoing work that will continue throughout the project.

Any data that is missing will require further communication with the employers.

Stage 3 – Missing data

The Fund are in regular communication with our local representative on the McCloud Missing Data Scoping Group who are advising on the options available where employers either no longer exist and/or no longer have access to the information required.

Deferred members

The Fund have provided an estimate of the number of members impacted and will collate this data as part of the [benefits rectification](#).

[Unpaid service breaks](#)

The employer must supply the start and end dates of any unpaid service breaks. They must also inform us if the member had chosen to pay extra to buy back the pension 'lost' during an authorised unpaid break.

Current status: **In progress**

This data is being collected alongside the percentage of full time working and being updated concurrently.

[FTE pay at age 65](#)

A member's underpin date is their normal pension age under the 2008 scheme, or earlier if they leave before then. This is age 65 for most, but age 60 for a limited number of members. Employers must supply full time equivalent (FTE) salary at age 65 (or 60) for all employees who remain active members after that age.

Current status: **Not started**

No progress to date on historic data. Heywoods are currently implementing additional functionality to i-Connect to capture this data for future members reaching age 65 (or 60, where applicable).

[Full time equivalent \(FTE\) salaries at 31 March each year](#)

FTE salaries are required where a member aggregates previous membership that started before 1 April 2012.

Current status: **Complete**

Wiltshire Pension Fund have collected FTE salaries for all members in scope of the underpin as they joined the LGPS before 1 April 2012 and therefore have final salary membership. The FTE salary at 31 March each year was needed to produce an annual benefit statement and calculate a member's annual allowance.

Communication

The Fund has provided regular high-level updates to members on the McCloud changes in our newsletters and as part of the last two annual benefit statement mailings.

Any further communication providing detail on the changes to regulations and benefits will be a targeted communication to those members impacted.

Business as usual correspondence will be updated when the regulations come into force (1 October 2023).

The Fund are also working with Heywoods to ensure that the Annual Benefit Statements are compliant in terms of the visibility of any potential underpin.

Current status: **In progress**

Benefits rectification

There will be members who have ceased to be active members of the Fund since 1 April 2014, e.g. deferred, death, retirement, transfer out, aggregation and will require their benefits to be recalculated at the underpin date and/or underpin crystallisation date as the underpin impacts on the amount of benefits that should have been paid and/or put into payment.

There are three steps to this rectification process

- *Identifying members in scope*
- *Calculating and recording the change*
- *Communicating with members*
- *Applying and paying backdated benefits*

Current status: **In progress**

We are currently identifying members in scope and believe that the following are within a specific tolerance that will require further investigation and a potential recalculation of their benefits:

| Event Type | Number of members |
|----------------------------|-------------------|
| Deferred | 81 |
| Retirement (from active) | 96 |
| Retirement (from deferred) | 191 |
| Transfer Out | 1 |
| Death | 2 |

| | |
|-------------|-----|
| Aggregation | TBC |
|-------------|-----|

The Fund are considering an appropriate approach to completing these rectification cases. Heywoods are looking at a recalculation function to simplify the work involved but it will still require specialist knowledge of the Fund and benefit structure to be able to review these cases.

Ongoing administration and systems

The Fund are the South West and Wales representatives for the Joint Pensions Group where the group have been working with Heywoods on engaging and agreeing proposals for McCloud changes.

Heywoods have developed and implemented the remedy for the McCloud judgement ready for these to be switched on from 1 October 2023.

Current status: **In progress**