

Committee:	Date:
Local Government Pensions Board	20 October 2021
Subject: Local Government Pension Scheme – McCloud Update	Public
Report of: The Chamberlain	For Information
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Summary

At the Board Meeting on 8 June the Chairman highlighted four key areas around McCloud and requested a separate report be brought to this meeting. as

The four key areas identified are:

- Legislative reporting requirements would require an additional line to account for the McCloud element.
- There was now a need to include McCloud on the risk register.
- As part of the procurement exercise for new software, what has been said to the software provider as it would be better to flag it now and get it guaranteed as part of the offering.
- With the position having now been reviewed, it would be sensible and appropriate to start drafting a communication around McCloud for the benefit of Scheme Members.

This report provides an update on each area.

Recommendation

Members are asked to note this report.

Main Report

Background

1. In 2014 the LGPS was reformed. These reforms included an ‘Underpin protection’, for people closer to retirement. In December 2018, the Court of Appeal ruled that this directly discriminated against some younger pension scheme members – this is now referred to as the McCloud Judgement or McCloud.
2. Following this Judgement, the Government made a number of announcements as follows:
 - 15 July 2019: the government confirmed that the difference in treatment would also need to be remedied in the LGPS.
 - 16 July 2020: the government published a consultation document that set out options for how the government proposed to remove the discrimination. This is known as the Remedy.

- February 2021: HM Treasury published its response to the consultation document and set out its preferred remedy choice.
 - MHCLG have produced a document that gives general details as to how the remedy proposal would work for the LGPS.
3. Further legislative changes are required before the remedy can be implemented, however, due to the complexity of the proposed remedy pension administrators and pension systems providers have commenced development of systems and processes based on current understandings to enable the remedy to be implemented.
 4. At your June meeting the Chairman highlighted four key areas around McCloud and asked for a report to be brought to this meeting. Each key area is discussed in more detail below.

Key areas

Legislative reporting requirements would require an additional line to account for the McCloud element

5. It is expected that on implementation of the Remedy, reporting requirements will be required by authority bodies such as the Local Government Association (LGA), the Pensions Regulator (TPR) and scheme actuaries.
6. Currently there is not any legislation or scheme regulation to implement the McCloud remedy and until there are it is not possible to understand what information will need to be reported. In the meantime LGPS Funds are developing procedures based on the known guidance and proposed extension of the Underpin.

There was now a need to include McCloud on the risk register

7. A draft the McCloud risk has been included on the Risk Register which is a separate item on today's agenda.

As part of the procurement exercise for new software, what has been said to the software provider as it would be better to flag it now and get it guaranteed as part of the offering.

8. The develop of the administration system has been underway for several months. The proposal is to first identify the scheme members affected, then build in capability to calculate the underpin as either a singular calculation or in bulk for all types of scheme members. Finally the data and result of the underpin are to be retained on the member record.
9. The first phase of development is expected by early 2022 and the final phase expected by April 2023. However, Member should note that this is all dependant on regulations and guidance being in place.

With the position having now been reviewed, it would be sensible and appropriate to start drafting a communication around McCloud for the benefit of Scheme Members

10. A note has been sent to Board Members regarding McCloud communications to scheme members. The note sets out the current advice from the Local Government Association (LGA) and advises on which communications have

been/will be distributed throughout the year and include some information on McCloud. This includes a statement regarding McCloud in newsletters and the annual benefit statements. The latest information can be found on the Fund's website www.cityoflondonpensions.org

Conclusion

11. As requested by the Board, this report provides an update on 4 key areas around McCloud. Members should note that currently there is no legislation or scheme regulation to enable the implement the McCloud remedy

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