

McCLOUD REMEDY

Introduction

1. This report is to provide the Committee with an update on the Fund's progress with implementing the changes required as a result of the McCloud remedy.
2. The report also provides the Committee with a high-level rectification plan.

Recommendation

3. The Committee is asked to note the position on the McCloud remedy and the rectification plan.

Progress Update

4. Work has continued on the McCloud remedy and this report sets out progress that has been made since the Committee received their last update in December 2023.
5. Whilst progress has been made with the project, the Fund has not been able to develop a detailed rectification plan for the reasons outlined in the report.

Data

6. As Members will recall, to be able to rectify any benefits for qualifying members the Fund has been required to obtain information from employers dating back to 1 April 2014.
7. This data consists of part time hours worked and details of any service breaks for all employees covering the period 1 April 2014 to 31 March 2022.
8. The Fund has obtained this data from 65% of employers. Several employers have not provided the information required. For some this may be because they simply may not be able to provide the information. For instance, they may have ceased as an employer or may have changed payroll provider in recent years and no longer have access to historic data.
9. The data received has now been loaded into the administration database and is available for use with any member records that require rectification.
10. For the remaining 35% the Fund extracted the data currently held on the administration database and sent this to the employers for verification and requested that employers fill any gaps in the data.
11. To date a small number of the 35% have responded to the Fund and we continue to chase for responses. Many of these employers may be unable to provide the data for reasons set out in paragraph 7 above.

12. To assist funds who have not been able to obtain the data, and for when the data is unsuitable, the Scheme Advisory Board (SAB) have produced guidance called 'Service data for the McCloud remedy'. The guidance has been produced to assist administering authorities to recreate a suitable history of the member's LGPS service for the McCloud remedy period.
13. Where the Fund cannot obtain the data, or has concerns about the quality of data held, the SAB guidance will be followed.

Administration Database Developments

14. The Fund continues to work with the administration database provider, Civica to implement functionality for the McCloud remedy.
15. The functionality that has been delivered to date includes:
 - The ability to identify 'in scope' members – those who meet the qualifying criteria
 - Loading the part time hours and service breaks data into the database
 - Implementing calculation of the new underpin for:
 - Retirement of active members aged under 65
 - Calculation of deferred benefits for members under age 65
16. Functionality to implement the underpin to all new leavers is in progress. Some issues were identified throughout the testing of this functionality which has meant that the implementation has been slightly delayed. The updated functionality is expected to be available from June 2024.
17. Civica have now published their plan and timeline for further development of the database functionality. The plan is for all remaining functionality to be available for testing from September with a view to being implemented into live from November 2024.
18. That means that the Fund cannot commence the bulk rectification of casework until November at the earliest.
19. Once implemented the system developments will automatically recalculate the benefits of those members in scope of the remedy. This applies to deferred, pensioner and deceased members' records.
20. Where an uplift to a pension already in payment is required, then the pensions team will create a process to arrange for this uplift to be processed with payroll. This is a manual task which cannot be automated.

Rectification Plan

21. As mentioned at the last meeting, the Fund needs to develop a detailed rectification plan to manage the work required because of the McCloud remedy.

22. In order to develop the full rectification plan, the Fund will need to be know the full extent of the regulatory changes and have received all necessary guidance.
23. Members are reminded that, the Local Government Association (LGA) published the first instalment of their McCloud technical guide for administrators in November 2023.
24. LGA are releasing the guide in instalments 'due to the breadth and complexity of the McCloud remedy project and because they are still waiting for guidance in some areas'.
25. The first instalment of the guidance includes an overview of which pension accounts qualify for underpin protection and how to perform provisional and final underpin calculations.
26. There are two sections of the guide (sections 6 and 7) which are not included in this first instalment. These relate to 'other types of calculations' and 'revisiting past calculations'. LGA aim to publish sections 6 and 7 'in early 2024'. Guidance on sections 6 and 7 will be required for the Fund to be able to develop its rectification plan.
27. There are a few areas within the McCloud remedy where further clarity is required on how they can be implemented. They include cases where a member has previous membership of another public service pensions scheme on or before 31 March 2012 and those where a member has flexibly retired on or before 31 March 2012.
28. The rectification of casework which has been processed since 1 April 2014, applying the new underpin rules, cannot commence in bulk until the administration database changes have been implemented in November 2024.
29. In the meantime, the Fund has developed a high level 'plan on a page' summarising the current actions relating to the McCloud remedy. The plan, which is attached to the report in Appendix A sets out the five areas of work associated with the project, including:
 - Communications
 - Data
 - Functionality
 - Rectification of casework
 - Training
30. Members will note the amber ratings relating to the collection of data and the rectification of historic casework which have been explained elsewhere in the report.
31. The Fund will develop a detailed rectification plan once the position on further regulatory changes and guidance becomes clearer and may seek to procure external support to assist with developing the plan. Members will be consulted on any budget implications associated with any external support.

Communications

32. The Fund's website includes information on the latest position on McCloud. The website also includes a link to further information available on the national lgpsmember.org website which includes an overview of McCloud, a summary of key dates, an interactive tool so members can check if they are affected as well as other guidance and FAQs.
33. As the changes brought about by the McCloud remedy constituted a material change to regulations the Fund wrote to all members (active, deferred and pensioner) in December 2023 to inform them about the changes. The communication was produced in line with Disclosure Regulations.
34. As well as writing to members the Fund also wrote to employers to make them aware of the changes and took the opportunity to remind them of the data requirements.

Summary

35. In summary, the Fund continue to work on the McCloud remedy and ensure that staff are suitably trained to apply the new underpin to future casework and deal with any rectification work.
36. The Committee will be kept informed of progress with implementing the McCloud remedy.

McCloud - Plan on a Page

	2023/24		2024/25				RAG Status
	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	
Communications							
Informed stakeholders of material change to regulations: Members: active, deferred and pensioner Employers Unions	✓						✓
Develop casework specific comms in line with SAB/LGA guidance							
Website updated with the latest position and links to national guidance	✓						✓
Data							
Requested data from all employers relating to employees between 1 Apr 14 and 31 Mar 22 (part time hours and service breaks). Obtained the data from 65% of employers and loaded into the database		✓					✓
Issued data held by the Fund to the remaining 35% of employers for validation and to supply any gaps in data. Limited responses received so far. Fund chasing.							
Can update information at any point. Leaver form to be amended to accommodate additional McCloud data.							
Functionality							
New underpin: Can now apply to active retirement for aged under 65 Can apply to deferred benefit calculation at date of leaving for under age 65		✓					✓
Applying the new underpin to all other casework - functionality due in November							
Applying the new underpin to rectification casework - functionality due in November							
Rectification of casework							
Develop plans to rectify each category of casework since 1 April 2014							
Assess where the member is in scope of the McCloud remedy	✓						✓
Recalculate the benefits in line with the new regulations, including: • Pensions already in payment • Other benefits processed since 1 April 2014 • Including payment of arrears and interest • Issue comms to explain changes							
Review of further SAB/LGA guidance on McCloud							
Training							
Training for administration staff has been organised to help them understand the impact of the changes on both new casework and casework which requires rectification.							

Key

	Not started
	Ongoing and on track
✓	Complete
	Ongoing - some slippage
	Ongoing - overdue

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