

Croydon Council

For General Release

REPORT TO:	Local Pension Board 15 October 2020
SUBJECT:	Croydon Pensions Administration McCloud Initial Analysis Report
LEAD OFFICER:	Vicki Richardson Head of HR & Finance Service Centre

1. RECOMMENDATIONS

The Board is asked to:

Note the McCloud initial analysis report set out in Appendix A to this report.

2. EXECUTIVE SUMMARY

- 2.1 This report sets out an initial assessment of the number of members of the Croydon Pension fund who could be impacted by the McCloud ruling. .

3. DETAIL

Background

- 3.1 In April 2014 and 2015, following an extensive review of all public service pension schemes including the Local Government Pension Scheme (LGPS) the Government introduced new career average (or CARE) pension scheme arrangements across all public services. As part of this change, a “transitional protections” underpin was implemented for those within 10 years of retirement. The underpin ensured that members would receive the better of the final salary benefits under the previous scheme, or else the CARE benefits from the new Scheme, for service up to 31 March 2022.
- 3.2 Soon after the reforms were introduced a number of legal challenges were made against the transitional protections on various grounds, including age discrimination (the protections were seen to favour older scheme members). These challenges, and eventual ruling, have become known as the “McCloud” case.
- 3.3 The Court of Appeal has ruled in the McCloud case that the Government’s 2015 public sector pension reforms unlawfully treated existing public sector

employees differently based upon members' ages on the 1 April 2012. This ruling has meant that all members, regardless of age, who fit the specified criteria are now eligible for this underpin

- 3.4 The McCloud ruling applies across all Public Sector pension Schemes. The impact on the LGPS has arisen due to the move to the 2014 Scheme in England and Wales. On 17 July 2020 the Ministry of Housing, Communities and Local Government (MHCLG) published a consultation on a possible amendment to the existing underpin in order to comply with the Court of Appeal ruling on McCloud.

Initial Analysis

- 3.5 As an administering authority Croydon needs to consider the impact any remedy might have in terms of their scheme membership.
- 3.6 Hymans Robertson, the scheme actuaries have undertaken an initial analysis on behalf of the administering authority and have identified that in the region of 5,000 records are likely to be affected by McCloud and will require some sort of review. This is around 15% of the fund.
- 3.7 Whilst active scheme members are the most affected group it is expected that the cases that could pose the biggest problems are those where benefits are currently in payment/have been paid – current pensioners and any deaths, as well as any members who have elected to transfer benefits to another scheme. There are over 1,250 of these cases in Croydon Pension Fund.
- 3.8 Additional resources will be required within the Pension Administration Team to perform the following tasks:
 - Liaise with employers to query data/request supplementary data
 - Upload any revised data onto your administration system
 - Run the underpin check for "in scope" members
 - Perform calculation of the updated benefits
 - Notify impacted pensioners of changes to their benefits
- 3.9 On the assumption that 50% of in-scope records might need some form of data update, all in-scope leavers will require recalculation and only 2% of recalculated member records will lead to amended payments to pensioners/dependents or third parties, the expected level of resource is 584 man hours. There is insufficient capacity within the current Pension Administration Team to meet this requirement and additional staffing resources will be needed.
- 3.10 The next step is to commence the collection of any supplementary data from employers e.g. service breaks and changes in working hours. The Pensions Administration Team are currently awaiting further details from Aquila Heywood, the Pensions Administration System Software provider on reports and interfaces they will be making available to support this activity.

4. DATA PROTECTION IMPLICATIONS

- 4.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

NO

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BACKGROUND DOCUMENTS:

None

Appendices

Appendix A: McCloud Initial Analysis Report