



LOCAL PENSION COMMITTEE – 19 JUNE 2024
REPORT OF THE DIRECTOR OF CORPORATE RESOURCES
MCCLLOUD REMEDY PROGRESS REPORT

Purpose of the Report

1. The purpose of this report is to provide the Local Pension Committee an update on progress in respect of the implementation of the McCloud remedy for Leicestershire County Council Pension Fund.

Background

2. On 8 September 2023, the Department for Levelling Up, Housing and Communities (DLUHC) laid The Local Government Pension Scheme (Amendment) (No.3) Regulations 2023. The regulations implemented the McCloud remedy and changed the existing 'underpin' to ensure it works effectively and consistently for qualifying scheme members. The regulations took effect from 1st October 2023 but will be backdated to 1st April 2014. Numerous actions will be required to fully implement the remedy.

Implemented Changes

3. Officers have made changes to 'Business as Usual' (BAU) casework processes to implement the remedy, which took effect in November 2023. Areas mainly affected by this are retirements and deaths, plus estimates and deferred benefits.
4. There are other areas of BAU casework where the remedy has had an impact, including transfers of pension rights in or out of the Fund. Guidance detailing how these are calculated for members 'in-scope' is now available, but systems have not yet been updated. Whilst developments are planned, nothing has yet been firmly scheduled and it is unlikely that any changes will be made until at least summer. Calculations will need to be processed manually until then.
5. Cases are now taking longer to complete, which is impacting on Key Performance Indicators. The main reasons for this are:
 - Additional steps are now required for the processing of cases where a member is deemed in-scope for re-assessment under the remedy;

- Officers regularly encounter cases where initial calculations indicate additional benefits are due but when the historic data is checked it requires adjustment and the calculation needs to be re-processed;
- There have been a number of minor issues with Altair's calculations of McCloud remedy data (generally linked to underpin calculations) in some circumstances which require workarounds to allow the cases to be completed. Some of these issues have been fixed but others remain, for example there are scenarios where a member is not in-scope but the system thinks that it is. These have been reported and will be cleared in future system releases;
- The extra complexity means cases are taking longer to calculate and check.

Impact on Key Performance Indicators

6. The appendix shows the Key Performance Indicators (KPIs) since January 2023 that relate to:
 - Retirement Options
 - Retirement Payments
 - Death Benefits and Payments
7. The target for the three areas is for most of the casework to be completed and issued within 10 working days. Specifically:
 - Retirement Options: 92% of cases
 - Retirement Payments: 95% of cases
 - Death Benefits and Payments: 90% of cases
8. The figures show the impact that the McCloud remedy has had since the legislation went live in October 2023.
9. These three areas are all the responsibility of the Pension Section's Payments and Tax team.
10. The initial impact was on retirement options as all retirements were assessed to establish whether cases were in-scope as part of the new process. In October Officers began testing McCloud system outputs, which started to cause a fall in KPIs. The functionality was then added to the live service in November 2023 and the impact on options continued.
11. The impact on pension payments and death benefits was not instant. Pension payments had already been assessed at the option stage and most death cases processed initially were not in-scope as they retired prior to the remedy period (April 2014 to November 2022), but as an increasing amount of resource was

spent on retirement options, less resource was spent on other areas, causing an indirect impact on payments and deaths. Additionally, more death cases have been identified as in-scope, which is gradually increasing the amount of time required to process those cases.

12. To date, there have been 32 cases, out of 1,003 cases established as in-scope where pension benefits have increased as a result of McCloud. These cases are mainly deferred benefits and the increases are provisional until the member claims their pension.

Outstanding Areas

13. The position in respect of the outstanding areas of work related to the implementation of the McCloud remedy is shown below:

Changes to contractual hours between April 2014 and March 2022	Ongoing. Data has been received from most employers and the remaining updates to records are expected to be completed by 31 December 2024.
Non-active members 'in-scope'	Once the updates to contractual hours have been completed, reports will be used to identify scheme members who left between April 2014 and November 2023 and are entitled to an underpin (additional pension) under the remedy. Where re-calculations of pension benefits are required many will need to be processed manually.
Active Members 'in-scope'	Records of active members must be updated with underpin data before Annual Benefit Statements are processed in August 2025.
Excess Teacher Service	<p>Teachers Pensions will contact their employers throughout 2024, liaise with them to identify affected members and verify details of their service before data is sent to Funds for action. East Midlands employers are scheduled to be contacted in June 2024.</p> <p>Any teacher found to have excess service, will have this included as a new Local Government Pension Scheme benefit. This will require the Pension Section to liaise with the employer and Teacher, and to set up a correct pension record. If the Teacher then wants to transfer this pension back into the Teachers Scheme, the Pension Section will calculate this and organise payment.</p>

14. Approval has been granted to add support at Pension Officer level, following a recent retirement and a colleague's reduction in hours. It is likely Pension Officers will be recruited internally from existing Pension Assistants and a further exercise to replace those staff will be conducted immediately after this is concluded.
15. Officers are also reviewing the position on overtime to help mitigate the current work pressures. This will bring the immediate benefit of an increase in experienced resource which would be preferable to recruiting and training additional temporary staff.
16. The Pension Section continues to have two temporary full time Pension Assistants working on McCloud and two Pension Apprentices will be recruited to assist in other areas of work. The Pensions Manager continues to monitor the implementation and impact of McCloud, and the required resource.

Recommendation

17. It is recommended that the Committee notes all areas of the report.

Equality and Human Rights Implications

18. None

Appendix

19. Key Performance Indicators since January 2023

Officers to Contact

20. Ian Howe
Pensions Manager
Telephone: (0116) 305 6945
Email: Ian.Howe@leics.gov.uk

Simone Hines

Assistant Director of Strategic Finance and Property

Telephone: (0116) 305 7066

Email: Simone.Hines@leics.gov.uk