



LOCAL PENSION COMMITTEE – 27 JUNE 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

MCCLOUD REMEDY PROGRESS REPORT

Purpose of the Report

1. The purpose of the report is to update the Local Pension Committee regarding progress in respect of the implementation of the McCloud remedy for Leicestershire County Council Pension Fund. The previous update was provided to the Committee on 19 June 2024.
2. The report also seeks the Committee's approval to extend the deadline for the completion of the 'McCloud implementation phase' to 31 August 2026.

Background

3. On 8 September 2023, the Government laid The Local Government Pension Scheme (Amendment) (No.3) Regulations 2023. The regulations implemented the McCloud remedy.
4. The remedy came into force on 1 October 2023 following an age discrimination court case. It rectifies the discriminatory treatment that affected some scheme members when the Government introduced changes to public sector pensions in 2014 and 2015.
5. The remedy requires Officers to assess records and if it is established that members were better off under the previous regulations for the period between April 2014 and March 2022, then pensions are re-calculated on the basis of those regulations.
6. The regulations were backdated to 1 April 2014 and required historic, as well as current, cases to be assessed. Numerous actions are required to fully implement the remedy.
7. Whilst the Pension Section must assess all cases in-scope, it is expected that very few members will receive an increase in pension benefits as a result of the remedy.

Current Position

8. Officers continue to implement the remedy.

9. The then Department for Levelling Up, Housing and Communities (DLUHC), now called Ministry of Housing, Communities and Local Government (MHCLG), issued statutory guidance in June 2024, which stated that all work related to the 'McCloud Implementation phase' of the remedy must be completed by 31 August 2025. However, there is scope within the guidance for this deadline to be extended to 31 August 2026, subject to approval by the Local Pension Committee.
10. The 'McCloud implementation phase' covers all areas of work in respect of the McCloud remedy with the exception of on-going 'Business as Usual' casework.
11. Work began on the implementation of the ruling in September 2020 prior to the McCloud remedy coming into force on 1 October 2023.
12. Additional temporary resource was added to the Pensions Section, to assist with the initial preparatory work that was required. Officers were required to review and where necessary amend contractual hours data for members deemed 'in-scope' for the ruling. This would allow the records to be accurately assessed to establish if there was any entitlement to additional pension when the remedy came into force. This has been a major exercise, mainly manual and was finally completed on 31 March 2025.
13. When the remedy came into force it impacted significantly on 'Business as Usual' casework and this has been reflected in Key Performance Indicators since then. Whilst additional permanent resource was recently approved by the Committee and a recruitment exercise is nearing completion, it is likely that any new Officers will require extensive training and it will take some time before any impact will be felt.
14. Consequently, Officers will not be able to complete the remaining areas of work by 31 August 2025 and are seeking approval from the Committee to extend this deadline. It is proposed that the deadline is extended to 31 August 2026, this being the maximum extension possible.
15. The Pensions Manager has discussed the McCloud extension with other Local Government Pension Funds locally and more widely, and each Fund plans to request approval from each of its own Pension Committee, for the McCloud extension.
16. In addition to the McCloud deadline there is also an existing statutory deadline for production of Annual Benefit Statements for active and deferred members by 31 August each year. These are produced following the completion of the annual year end exercise. This year's exercise is underway and the latest position is detailed elsewhere in this report. With effect from 2025, details of any additional pension that members are entitled to following the McCloud ruling must be included within these statements.
17. Officers are prioritising this requirement and expect to meet the deadline.
18. Pensions already in payment will also need to be assessed to establish if any increase is due under the same legislation. These cases will be identified by 30 September 2025.

19. The remaining areas of work that will need to be completed are detailed in the grid below which gives the position as of 30 May 2025.

20. It is expected that the number of members who will benefit from the McCloud remedy will be low.

'Business as Usual' Casework	Following the implementation of the McCloud remedy on 1 October 2023, all 'Business as Usual' cases have included an assessment to establish any entitlement to additional benefit arising from the remedy, and where this was established, was included in calculations.
Changes to contractual hours between April 2014 and March 2022	Data has been received from all employers and manual updates have now been completed . Whilst other cases are likely to emerge, for example where scheme members previously not in-scope declare membership of other public sector pension schemes that could mean they become in-scope for this exercise, this phase of the project has now finished. Any remaining cases will be addressed as part of 'Business as Usual' casework following their date of leaving.
Active and Deferred Members 'in-scope'	Records of active and deferred members must be updated with underpin data (used to establish additional pension due to the McCloud remedy) for inclusion in Annual Benefit Statements by 31 August 2025 . Records will be updated using 'bulk' facilities available in Altair and any errors will be addressed manually.
Pensioners 'in-scope'	'Bulk' facilities available in Altair will be used to identify pensioners (including dependant pensioners) who are entitled to an underpin (additional pension) by 30 September 2025 . The work required to increase their pension value will be completed by 31 August 2026 .

<p>Other members ‘in-scope’</p>	<p>Remaining categories of McCloud related work will also be processed by 31 August 2026.</p> <p>This will include:</p> <p>Death Cases Transfers Interfund Adjustments Trivial Commutations Teachers (Enhanced Pensions)</p> <p>Some aspects of transfers will require system upgrades to be applied before re-calculations can be processed.</p>
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Recommendation

21. It is recommended the Committee considers the report and approves the request to extend the deadline of the McCloud implementation phase to 31 August 2026.

Equality Implications

22. There are no equality implications arising from the recommendations in this report.

Officers to Contact

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

Simone Hines
Assistant Director Finance, Strategic Property and Commissioning
Telephone: (0116) 305 7066
Email: Simone.Hines@leics.gov.uk