

North Yorkshire Council

Pension Fund Committee

27 June 2025

McCloud determination

Report of the Treasurer

1. Purpose of the Report

- 1.1. To report on the progress to date of the McCloud remedy
- 1.2. To request approval for the extension of the processing deadline

2. Background

- 2.1. Regulation 89 of the Local Government Pension Scheme regulations and the Government's McCloud implementation guidance set out the deadline of 31 August 2025 for completion of all the McCloud remedy work. This means that members' 2024/25 Annual Benefit Statements (ABSs) should reflect any potential entitlements related to the underpin.
- 2.2. The default position is that all the qualifying checks, processes and retrospective recalculations for all members who qualify must be completed by 31 August 2025.
- 2.3. Whilst good progress has been made, the North Yorkshire Pension Fund (NYPF) is not able to complete all the required remedial work before 31 August 2025.

3. Progress update

3.1. Scale of McCloud in the NYPF:

- 25,942 records are currently showing as 'in scope'
 - 7,012 Active members
 - 8,165 Deferred members
 - 8,622 Pensioner members
 - 2,143 Other status members
- 1,641 records currently showing an underpin value
 - Values range from 1p to £13,148

3.2. The following key stages have been completed:

- The data collection phase is complete, and all data received has been added to member records.
- All members who can be identified as 'in scope' from the data already held have had the McCloud calculations run on their records.
- All current calculations include McCloud where necessary.
- All active and deferred members identified as having an underpin have had the values checked and verified. Approx 1,000 members.
- Recalculation of pension sharing credits and debits. Approx 40 members.
- Documents updated to include information about McCloud.
- McCloud data is included in the 2025 active and deferred ABSs.

3.3. The following key stages are yet to be completed:

- Checking and verifying of underpin values for those members who are neither active nor deferred
- Recalculation of ill health retirements in the remedy period

- Recalculation and payment of underpin values, with arrears and interest, to pensioner members.
- Recalculation and payment of underpin values, with arrears and interest, to the survivors/estates of deceased members.
- Recalculation and payment of underpin values for members who have transferred benefits out of the scheme.
- Recalculation and payment of underpin values for members who have received a transfer in or have transferred out on a Club basis.
- Recalculation and payment of underpin values for members who have transferred out on a bulk transfer basis.

4. Flexibility

- 4.1. There is an important flexibility available giving administering authorities the ability to make a 'determination' to extend 'the McCloud implementation phase' until 31 August 2026.
- 4.2. The McCloud implementation phase is the term used by the Government to describe the period in which LGPS funds will be implementing the requirements of the 2023 McCloud remedy regulations.
- 4.3. This determination can be made for individual members or classes of member where administering authorities believe it is 'reasonable in all the circumstances' to make that determination.

5. Making a determination

- 5.1. If an administering authority makes a determination for any of its members, this will mean that it would provide an extra year to retrospectively adjust pensions, pay arrears, etc.
- 5.2. Use of the flexibility should be considered carefully in order to strike the right balance. Whilst it will allow time to get member records up to date, it will also be in the interests of those members for the unlawful discrimination to be addressed sooner rather than later.
- 5.3. Where an administering authority wishes to make use of this flexibility, the key deadline for exercising the determination power is 31 August 2025.

6. Recommendation

- 6.1 That Members make a determination to extend the McCloud implementation deadline to 31 August 2026 to enable the completion of the outstanding work.

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