

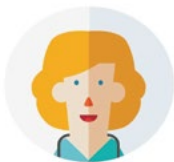


McCLOUD REMEDY

10 NOVEMBER 2023

ZENA KEE – HEAD OF PENSIONS POLICY

RUTH BENSON – EMPLOYER LIAISON OFFICER



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BACKGROUND

- Public service pension schemes reformed in 2015 and older members protected if 'age 55 or over on 31 March 2012*'.
 - In 2018, Courts found younger members of the Judges' and Firefighters' pension schemes had been discriminated against on grounds of age.
 - Government confirmed changes to all main public service pension schemes, including LGPS to remove the age discrimination.
 - LGPS (NI) Regulations made on 28 September 2023 and operational from 1 October 2023
 - * - rough rule of thumb for LGPS (NI)

LGPS (NI) McCloud Remedy

Extends the protection to younger members, to a wider group and makes some changes to the protection.

WHO IS AFFECTED BY THE McCLOUD REMEDY?

Members are eligible for the McCloud Remedy if they satisfy all of the following:

Between 1 April 2015 and 31 March 2022

- Member was paying into the LGPS(NI) at some point in this period

Pre-1 April 2012

- Member was paying into the LGPS (NI) or another public service pension scheme at some point before this date.

No disqualifying break

- Member does not have a continuous period of more than five years where they were not paying into the LGPS (NI) or another public service pension scheme

Under final salary normal retirement age (NRA), usually age 65

- Member must have been under NRA at any time between 1 April 2015 and 31 March 2022

WHAT HAS CHANGED?

Member does not have to combine LGPS (NI) records to be eligible

May need to look outside LGPS (NI) to other UK public service pension schemes to check if paying in before 1 April 2012.

HOW DOES THE UNDERPIN WORK?



1.	Provisional	<ul style="list-style-type: none">• Leave LGPS (NI) before take pension or when age 65• Work out final salary pension and CARE pension for period paying in between 1 April 2015 and 31 March 2022• If final salary would have been higher – provisional underpin. If lower, no underpin applies.
2.	Final	<ul style="list-style-type: none">• When take pension, NiLGOSC adjusts provisional underpin figures calculated in step 1 to work out final underpin figures• Includes revaluation, pensions increase and any early retirement reductions or late retirement increases• If final salary pension would have been higher – final underpin applies and pension increased. If lower, no underpin applies.

FINAL SALARY VS CARE FROM 1 APRIL 2015 – 31 MARCH 2022

• CARE annual pension

Year	Opening Balance	Pay	New Pension savings	Total pension	Revaluation	Pension closing
2015/16	£0	27,000	+£551.02	£551.02	-0.10%	£550.47
2016/17	£550.47	27,500	+£561.22	£1,111.69	1.00%	£1,122.81
2017/18	£1,122.81	28,000	+£571.33	£1,694.24	3.00%	£1,745.07
2018/19	£1,745.07	28,500	+£581.63	£2,326.70	2.40%	£2,382.54
2019/20	£2,382.54	29,000	+£591.84	£2,974.38	1.70%	£3,024.94
2020/21	£3,024.94	29,500	+£602.04	£3,626.98	0.5%	£3,645.11
2021/22	£3,645.11	30,000	+£612.24	£4,257.35	3.1%	£4,389.33

1. FOR COMPARISON

7 years in CARE = £4,389.33

Same 7 years in Final Salary = £3,500.00

- Final Salary annual pension 1 April 2015 – 31 March 2022
- $1/60 \times 7 \text{ years} \times £30,000 = £3,500$

(For comparison $1/60 \times 1 \text{ year} \times £30,000 = £500$)

Would need final salary pay of £37,622.83 for same annual pension as CARE Scheme (25% higher pay)

$1/60 \times 7 \text{ years} \times £37,622.83 = £4,389.33$

WHO IS LIKELY TO HAVE AN INCREASE TO PENSION?

Most members are unlikely to have an increase as they will have built up a higher pension in the CARE scheme than they would in the final salary.

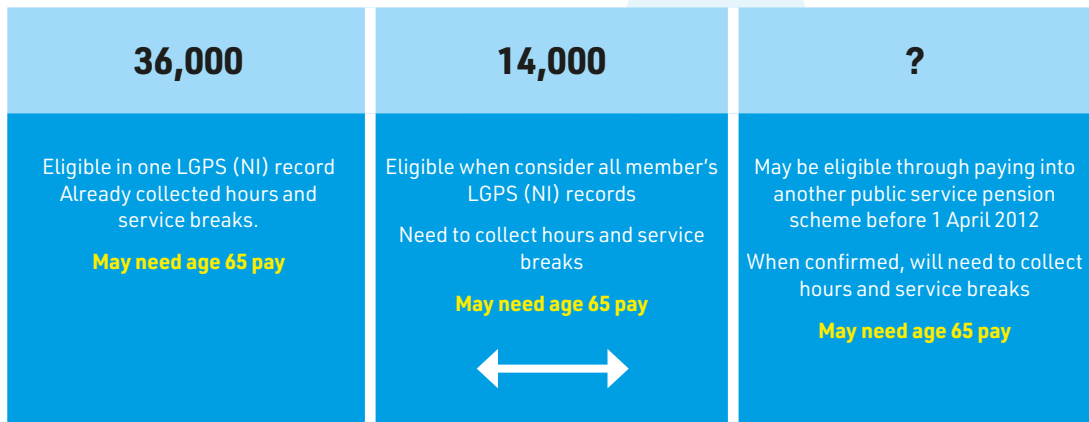
An increase is more likely, but not guaranteed, if:

- Significant increase in pay late in career
- Transfer protected benefits in and new pay in the LGPS (NI) is much higher than the pay when you left the other public service pension scheme
- Your pension is reduced because you are taking it early and your State Pension Age is over age 65
- You leave the LGPS (NI) and the best of last 3 years' pay or a 3-year average in last 10 years is used to work out your final salary pay.

IMPACT OF EARLY/LATE RETIREMENT FACTORS

- Member retires age 65, State Pension Age 66
 - Final salary pension £5,000 per year (NPA 65)
 - CARE pension £5,200 per year (NPA 66)
- Compare FS (£5,000) vs CARE (£5,200) at age 65
- Apply early retirement reduction to CARE of 5% ($£5,200 \times 5\% = £260$) giving reduced CARE pension of $£5,200 - £260 = £4,940$.
- Final salary pension is higher £5,000 vs £4,940
- Member benefits from underpin with pension of £5,000.

HOW MANY MEMBERS ARE ELIGIBLE?



ACTION FOR EMPLOYERS – PROVIDING DATA

Hours and service breaks

- For any period worked from 1 April 2015 to 31 March 2022
- NiLGOSC will forward spreadsheets to collect data
- May have numerous data collection exercises
- Advise contact details by 15 November 2023 to datacollection@nilgosc.org.uk

Age 65 pays

- For the 12 months to age 65 or best of last 3 years
- Around 4,000 members affected
- Age 65 final salary calculator being tested
- Submit via i-Connect if using it, or by returning spreadsheet
- Advise contact details by 30 November 2023 to datacollection@nilgosc.org.uk

DO MEMBERS NEED TO DO ANYTHING?

- Most do not as NILGOSC can tell who has underpin protections from its records
- No need to combine records to benefit from underpin protections
- A few, if they have membership in another public service pension scheme will need to tell us. We will ask for this information on joining, at retirement and in newsletter (before Christmas 2023).
- McCloud Remedy pages and FAQs on NILGOSC website:
<https://nilgosc.org.uk/members/about-the-scheme/the-mccloud-remedy/>
<https://nilgosc.org.uk/employers/administering-the-scheme/the-mccloudremedy/>

WHAT IS NILGOSC DOING?

- Collecting data
- From 1 October 2023, begin reviewing over 50,000 member records
- Not all guidance is available
- Pensions in payment will be reviewed as soon as possible
- We will contact anyone whose pension will increase because of the McCloud Remedy or if we need more information.
- Arrears of pension plus interest will be payable.
- Only expect a few cases to be identified where pensions will increase.



ANY QUESTIONS?



HOW TO CONTACT US



Website www.nilgosc.org.uk



Email info@nilgosc.org.uk



Telephone 0345 319 7325



Visit us
Templeton House
411 Hollywood Road
Belfast
BT4 2LP

