

From: Chairman Pension Fund Committee
Corporate Director of Finance

To: Pension Fund Committee – 22 June 2023

Subject: McCloud update

Classification: Unrestricted

Summary:

To provide an update on the McCloud Remedy Regulations and the actions taken by Officers of the Kent Pension Fund to prepare in advance of the regulations becoming law, which is expected to be 1 October 2023.

Recommendation:

The Committee is asked to note the report.

FOR INFORMATION

1. Background

- 1.1 When the Government reformed public service pension schemes in 2014 and 2015 it introduced protections (underpins) for older members. In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' pension schemes had been discriminated against because the protections did not apply to them. Consequently, the Government has confirmed that there will be changes to all the main public service pension schemes, including the LGPS, to remove the discrimination. This ruling is often called the 'McCloud judgment' after a member of the Judges' Pension Scheme involved in the case (www.lgpsmember.org/faqs/what-is-the-mccloud-case-about/, Jan 2022).
- 1.2 On 6 April 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published their response to the consultation on amendments to the underpin. The consultation proposed changes to the underpin to address the discrimination found in the McCloud judgment and to ensure that it works effectively and consistently for qualifying members.
- 1.3 Alongside the consultation response, in collaboration with the Scheme Advisory Board (SAB), DLUHC published a factsheet summarising the remedy for members. This has been added to the Kent Pension Fund website and will be referenced in member newsletters.

1.4 DLUHC has recently launched a further consultation, with responses due 30 June 2023. The consultation seeks views on:

- issues such as aggregation and flexible retirement.
- issues not included in the original consultation (such as compensation, interest and excess teacher service).
- the update of draft regulations.

1.5 DLUHC will finalise the regulations after considering the responses to the further consultation. The McCloud Remedy Regulations are expected to come into force on 1 October 2023, with backdated effect to 1 April 2014.

2. Data Rectification for Kent Pension Fund – procurement of provider

2.1 A significant amount of work will be required by the Fund to comply with various projects that require accurate, complete and up-to-date data (i.e., the McCloud judgment, Pensions Dashboard and the Fund's Data Quality Policy). As such, the Fund is planning to issue a tender to procure external support from a pensions data management specialist.

2.2 Officers are working with colleagues in KCC's Procurement Team to prepare tender documents. The procurement process will be via the National LGPS Framework. It is anticipated that Invitations to Tender will be sent out by the end of June 2023, with bid documents to be returned in July.

2.3 A tender evaluation process will be undertaken to select the most suitable Supplier for the data rectification. The Pension Fund Committee will be updated on the Supplier awarded the contract.

2.4 In addition to supporting the major data projects and data cleansing, the Fund may also consider third-party resource support on mortality screening and address tracing. Whilst assisting project needs (as outlined above), mortality screening and address tracing would also assist business as usual operations dependent upon accurate records being held.

3. Collection of scheme Member data from Employers

3.1 Officers have commenced a project to contact all Fund Employers by the end of June to request scheme member data (including hours and service breaks between 1 April 2014 and 31 March 2022) by the end of September.

3.2 SAB have provided advice on what actions to take if data is not forthcoming, incomplete or erroneous.

3.3 The information supplied by Employers will be used to prepare for the McCloud ruling, thereby ensuring payments can be made to relevant scheme members as appropriate.

4. Data Quality Policy

4.1 All data is to be collected as per KCC's data policy. The Fund's Data Quality Policy has been drafted and is included within the Governance and Policies

paper for today's meeting. It is intended to present to the Pension Fund Committee for approval at their next meeting.

4.2 The objectives of the Data Quality Policy include:

- Ensuring that member records are maintained as accurately as possible to ensure benefits are paid correctly on time.
- Ensuring that members receive a high standard of service.
- Ensure the Fund is able to meet its legal obligation.
- Ensure that costs are reliable/correct; and
- To ensure data supplied to the Fund's actuary is as accurate as possible so the correct liabilities can be calculated and comply with the Pension Regulators Code of Practice.

4.3 Once agreed and finalised, the Policy will be used in conjunction with external support to develop a Data Improvement Plan.

4.4 The project work on McCloud will be undertaken in accordance with the Data Quality Policy.

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