

McCloud Remedy factsheet

Information on changes to public service pension schemes to remedy the discrimination identified by the McCloud judgment.

Background

In 2014/15, all the major public sector pension schemes were reviewed, and reformed pension schemes were introduced.

Those closest to retirement were given transitional protection that allowed them to stay in their existing, legacy, pension schemes. This meant that members within 10 years of their Normal Pension Age, as at April 2012, were allowed to remain in their legacy scheme.

In most of these schemes those who were between 10 and 14 years from normal retirement age were given 'tapered' transitional protection, meaning they did move to the new 2015 scheme, but at a later date than other members.

This transitional protection was found to be discriminatory on the basis of age, sex and race. The government intends to address this discrimination with the McCloud Remedy.

Removing age discrimination from Public Sector Pensions

The remedy is made up of two parts:

1. To ensure equal treatment going forward, all active public sector pension scheme members will be in the reformed 2015 schemes from 1 April 2022.
2. To address the inequality that has already occurred, affected members will be offered a choice about their pension benefits for the period over which the inequality occurred.

Scheme administrators have until 1st October 2023 to implement the changes. Further detail about each aspect of the remedy is provided below.

All active members will be in the reformed 2015 scheme from 1st April 2022

Existing legacy pension schemes will close on 31st March 2022. All members that are currently contributing to these schemes will automatically be moved to the 2015 reformed schemes from 1st April 2022.

Members will keep the benefits that they have earned in their legacy schemes before 1 April 2022, and the calculation of these benefits will still be linked to the member's final salary. These legacy pension benefits can still be accessed after 1 April 2022, in line with the existing rules for each scheme.

Moving members to the reformed schemes means that many individuals will have built up pension in more than one pension scheme over their career. At retirement, pension pots are therefore likely to be made up of more than one set of benefits. Each section of the scheme has different rules about how pension benefits from that section are calculated and when they can be claimed.

Affected members will be offered a choice about their pension benefits for the remedy period

The McCloud Remedy retrospectively removes all transitional protection and, in its place, all members in scope will be given a choice about their pension benefits for the remedy period (1st April 2015 – 31st March 2022).

Members who joined the NHS Pension Scheme on or before 31 March 2012 and who were still members of the scheme on 1 April 2015 will be eligible for the remedy, regardless of whether they previously received full, tapered or no protection. This includes current members, those that have already retired or no longer work for the NHS and those that have passed away. Members that joined the scheme on after 1 April 2012 will not be affected.

Initially, all affected members will be returned to their legacy scheme for the remedy period. This will have implications on historic annual allowance taxation and members will need to review their annual allowance liability for the remedy period. If a member has paid too much tax, government will compensate them for all the remedy period. If a member has paid too little tax, government has stated they will only recover tax within the normal 4-year statutory time limit.

Affected members will be offered a choice about their pension benefits for the remedy period

(continued)

Affected members that have already retired, or who are planning to retire shortly, should do so according to the existing rules and their pension will start to be paid based on their current membership situation. This is because the legislation that is needed to be able to offer members their choice before they retire is not expected to be in place until 1 October 2023.

Once the relevant legislation is in place, scheme administrators will contact these members directly and offer them a retrospective choice, along with personalised information to help them make this choice.

If a member chooses to keep their existing benefits, no changes will be needed. If a member chooses to receive different pension benefits for the remedy period, adjustments will be made to their pension payments accordingly. Any changes will be backdated to the date of retirement.

A retrospective choice will also be offered to members that have taken ill health retirement and to the families of members that have died during the remedy period.

For those that retire after the changes have been implemented, they will be offered their choice as part of the normal retirement process before any pension payments have been made. Scheme administrators will provide personalised information setting out the two options to help members make the best decision for their individual circumstances.

Next steps

For more information or to discuss any of these issues, contact your Financial Adviser.

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