

Portfolio Holder Decision – Response to Government Consultation on the McCloud Remedy for the Local Government Pension Scheme

Portfolio Holder	Portfolio Holder for Finance and Property
Date of decision	28 September 2020
	Signed

Decision taken

Portfolio Holder approves the draft response (Appendix 1) to the MHCLG consultation (Appendix 2) in respect of the proposed remedy for the McCloud on the proposed amendments to the Local Government Pension Scheme.

Reasons for decisions

The proposed response is supportive of the remedy in so far as it would serve its intended purpose of eliminating the identified discrimination. The proposed response flags that there would be additional costs as a result of protections benefiting a larger group of members, and significant additional administrative complexity.

The proposed response is the same from the perspective of both Warwickshire County Council as an individual employer and as the Administrating Authority of the Warwickshire Pension Fund, and it is proposed to submit the response from both entities.

Background information

The Government introduced reforms to public sector pension schemes in 2014 and 2015 in a way that has been found by to be age discriminatory and unlawful. The Government is required to implement a remedy to remove the discrimination caused.

In summary the move from the final salary scheme to the career average scheme included a protection for all members who were within 10 years of retirement in 2012. This discriminated against (younger) members who were over 10 years from retirement.

The original protection was provided to members in service on 31 March 2012 and who were within ten years of normal pension age (NPA). It was therefore proposed that the protection is also provided to those in service on 31 March 2012 who have membership in the 2014 CARE scheme and who are not within ten years of retirement.

A consultation on a proposed remedy has been issued with a deadline for responses of the 8th October.

The draft response was shared with the Staff and Pensions Committee for comment.

Financial implications

The additional pension benefits cost of the remedy will ultimately be funded by those employers who have staff who benefit, however the impact will on average be relatively small compared to overall liabilities (a fraction of a percent) and would be reflected in employer contributions spread over many years.

There will also be an administration cost and the remedy adds significant complexity to the scheme and requires the use of additional data that needs to be collected and validated. These costs will be borne by the pension fund which is ultimately funded by a combination of employer and employee contributions and investment returns.

Environmental implications

None

Report Author	Neil Buxton, Victoria Moffett, Chris Norton neilbuxton@warwickshire.gov.uk, victoriamoffett@warwickshire.gov.uk, chrisnorton@warwickshire.gov.uk,
Assistant Director	Finance
Lead Director	Strategic Director for Resources
Lead Member	Portfolio Holder for Finance and Property

Urgent matter?	No
Confidential or exempt?	No
Is the decision contrary to the budget and policy framework?	No

List of background papers

None

Members and officers consulted and informed

Portfolio Holder – Councillor Butlin

Corporate Board – Rob Powell

Legal – Jane Pollard

Finance – Andrew Felton

Equality – Keira Rounsley

Democratic Services –

Councillors –

Local Member(s):