

Subject	McCloud Remedy	Status	For Publication
Report to	Authority	Date	05 June 2025
Report of	Assistant Director Pensions		
Equality Impact Assessment	Not Required		
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1 Purpose of the Report

- 1.1 To update the Authority on the McCloud Implementation Plan.

2 Recommendations

- 2.1 Members are recommended to:
- a. **To determine that the implementation date for the McCloud Remedy be delayed to 31 August 2026 for all classes of member.**

3 Link to Corporate Objectives

- 3.1 This report links to the delivery of the following corporate objectives:

Customer Focus

To design our services around the needs of our customers, whether scheme members or employers.

Listening to our stakeholders

To ensure that stakeholders' views are heard within our decision-making processes. The report includes information about the engagement with the scheme members.

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times. The report includes detail on the overall administration performance to ensure Members are able to scrutinise the service being provided to our customers.

4 Implications for the Corporate Risk Register

- 4.1 The actions outlined in this report seek to address the operational risk around the implementation of the McCloud Remedy. The key mitigant of this risk is to comply with the statutory guidance issued in 2024.

5 Background and Option

- 5.1 This report provides the Authority with an update on the progress with implementing the changes required because of the McCloud remedy.
- 5.2 The Ministry for Housing, Communities and Local Government (MHCLG) issued regulations for the implementation of the McCloud remedy in June 2024. The guidance aims to achieve a consistent application of the remedy across the LGPS and includes a deadline for implementation of 31 August 2025. By this date the new underpin should be applied to all leavers, all retrospective changes to benefits for most members (who left since 1 April 2014) should have been made and annual benefit statements (ABSs) for 2025 should reflect the McCloud remedy.

The wording below is an extract from the MHCLG guidance confirming the requirements.

McCloud implementation phase - In a number of places, this guidance refers to the 'McCloud implementation phase', which we define as follows:

For most members, the period up until a fund's annual benefit statements (ABSs) for 2024/25 are issued, which must take place by the end of August 2025.

At the end of the implementation phase:

- a) all retrospective amendments to members' pensions and other rights needed as consequence of the 2023 Regulations should have been concluded, and*
- b) a fund's records for members who qualify for McCloud remedy but have not yet taken their pensions should be accurate (so that the annual benefit statements issued to members for the 2024/25 scheme year consider the McCloud remedy in full).*

- 5.3 The regulations and guidance do allow for the implementation phase to be extended to 31 August 2026 for specific members or classes of members. Such cases are not defined in the guidance subject to the making of an appropriate determination by the administering authority.
- 5.4 To meet the deadlines set out for the implementation phase of McCloud Civica have to develop the administration software functionality within the Administration software they provide. As explained in previous reports, there have been considerable issues and delays with the functionality development. To reflect this, a risk has been added to the corporate risk register. The Fund is working with Civica to install the relevant software updates as quickly as possible taking account of competing priorities associated with the valuation and the need to ensure adequate testing of any new releases.

Administration System Developments

- 5.5 Members will recall that some functionality changes resulting from the McCloud remedy have already been delivered to date, which allows the Fund to implement the calculation of the new underpin for:
- Normal retirement of active members aged under 65; and
 - Calculation of deferred benefits for members under the age of 65.
- 5.6 All remaining functionality, including that required to process all leavers using the new underpin, and to allow the possible rectification of casework which has been processed

since 1 April 2014, was due to be delivered in two further tranches, the first in October 2024 and the second in January 2025. To date these are still outstanding.

- 5.7 The teams are now having to undertake year-end data cleansing processes which are required to prepare for the Annual Benefit Statements which must be issued by 31 August 2025. As 2025 is also a Valuation year there is considerable work required to provide the necessary information to the actuary in July 2025.
- 5.8 Given this and the non-availability of the relevant software the team will therefore not meet the 31 August 2025 deadlines for the McCloud remedy. Without further action the Authority would need to make MHCLG aware of the position and report itself to the Pensions Regulator as this would represent a breach of the law.
- 5.9 Civica have provided a statement on the issues, previously reported to the Authority; *The McCloud ruling has led to a challenging and complex implementation of the resulting software changes to our pensions system, UPM. This has not been helped by amendments in guidance at points throughout the project which has impacted the scope and delivery timescales.*
Civica is aware that clients have 3 main objectives to meet:
- *Apply the new McCloud underpin to leavers.*
 - *Rectify all casework since 2014.*
 - *Add the McCloud underpin detail to all annual benefit statements.*

Whilst progress has been made in all areas, Civica understands that clients are required to meet a Legislative deadline to include the McCloud Underpin in the production of Annual Benefit Statements and issue them by 31 August 2025. Ideally, the project would have been phased to deliver the functionality in its entirety earlier and we are aware that our current projected delivery timescales will provide a challenge to clients in meeting the August deadline.

Civica is looking at all reasonable measures to accelerate our project delivery and is also considering how we can help clients in their discussions with the various Regulatory bodies.

Implementation and Rectification Plan

- 5.10 As the Authority is aware, detailed implementation and rectification plan is required to manage the work required because of the McCloud remedy.
- 5.11 Production of a plan was initially delayed while the Fund waited for remaining guidance and regulations to be finalised, and the remaining administration system functionality to be in place.
- 5.12 Full guidance has been received, and although the Fund doesn't yet have the functionality in the administration system, the Fund is now preparing to develop this detailed plan. The number of cases to be reviewed are approximately 42,000(c. 23% of the total membership) Including;
- 16,000 Active
 - 8,000 Deferred
 - 14,000 Pensioners
 - 800 transfer records

5.13 The Authority will continue to receive updates setting out progress on this matter at future meetings.

5.14 The Authority is clearly not going to be able to implement the McCloud remedy in terms of including information in Annual Benefit Statements by 31st August 2025 given that the relevant software has yet to be delivered and tested. Therefore there is, in practice, no alternative to minimise both the regulatory and operational risks to which the Authority is exposed to, but to make a determination that the implementation date for the McCloud remedy should be delayed to 31st August 2026 for all members.

Operationally it would be intended to issue revised Annual Benefit Statements to all affected members as soon as it is possible to do so after the relevant software has been fully tested and implemented.

6 Implications

6.1 The proposals outlined in this report have the following implications:

Financial	None
Human Resources	None
ICT	None
Legal	None
Procurement	None

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Background papers	
Document	Place of Inspection
None	