

MCCLLOUD FAQ

McCloud Judgment

When the LGPS (Local Government Pension Schemes) in Scotland changed from a final salary to a career average pension scheme in 2015, protections for older scheme members were introduced. Similar protections were provided in other public sector pension schemes.



The Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections don't apply to them. The Government has confirmed there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. This ruling is often called the 'McCloud judgment'.

What is the McCloud court case about?

When the Government reformed public service pension schemes from 1 April 2015, it introduced protections 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 didn't apply to them.

The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. This ruling is often called the 'McCloud judgment' after a member of the Judges' Pension Scheme involved in the case.

What does it mean for the LGPS?

When the LGPS changed from a final salary to a career average pension scheme in 2015, members who were within 10 years of their Normal Pension Age (usually age 65) on 1 April 2012 were provided with a protection called the 'underpin'. When a protected member takes their pension, the benefits payable under the career average and final salary schemes are compared and the higher amount is paid.

The revised underpin applies to member service built up for the remedy period 1 April 2015 to 31 March 2022. Younger members who originally didn't qualify for underpin protection in the LGPS now have a period of protection which will need to be considered in calculations until members retire.

For members who've already retired or died with or without any underpin protection, this may need to be revisited and benefits recalculated to check what the effect of the revised underpin would have had, if any.

Very few members are likely to benefit from the revised underpin and see an increase to their benefits as most people are likely to be better off with career average scheme benefits. Where benefits do increase, it is likely that increases will be small.

Will the changes apply to me?

If you joined a public sector pension scheme on or before 31 March 2012 and you were still a member on or after 1 April 2015, and had continuous service, you will be eligible for McCloud

protection. This includes members who left but returned within 5 years to the same or another public service pension scheme.

Will my pension increase?

Most members are unlikely to see an increase to their pension, and where an increase is applied, it is likely to be small. This is because most members will build up a higher pension in the career average pension scheme than they would have under the final salary scheme.

When will the changes come into effect?

The McCloud Remedy is effective from 1 October 2023. All eligible members who retired after 1 April 2015 will have their pensions revisited with the application of the revised underpin.

What do I need to do?

You don't need to take any action. The Government has confirmed that members who qualify for protection don't need to make a claim for the changes to apply to them.