McCloud consultation published for the LGPS

July 2020

MHCLG has released a 12-week public consultation on proposals to amend the LGPS to remove the unlawful age-discrimination that arose from the protections associated with introduction of the 2014/2015 scheme reforms and which were successfully challenged in the McCloud case. The key proposals set out in the consultation are:

- A new final salary underpin will apply to service between 1 April 2014 and 31 March 2022
- The changes will affect active members of a public service scheme on 31 March 2012 who went on to have active membership in the LGPS on or after 1 April 2014
- Leavers since 1 April 2014 will fall into scope of the new underpin, meaning their benefits must be checked to see if the underpin applies retrospectively
- Because early and late retirement reductions will now be taken into account in the underpin comparison, the underpin check will need to take place on leaving active membership and on subsequent retirement
- Aggregations will be re-opened for a twelve-month period

The consultation can be accessed here.

The changes present a significant challenge to administering authorities and to employers, not least of which will be a major data collection exercise to enable the final salary underpin to be calculated. Whilst benefits accruing from 1 April 2022 will be career average for all members, the new underpin will require 2008 scheme pay to be recorded for some members for the next 40 years. As well as changes to ongoing administrative systems, processes and communications, the recalculation of leavers' benefits represents an enormous task, covering retirements, deferred leavers, deaths, transfers and trivial commutations. It is therefore vital that administering authorities, employers and other affected parties consider responding to the consultation.

Need help?
In order to assist administering authorities in considering their response to the consultation and start planning for the implementation of the new legislation, Aon will be running a webinar and training sessions in partnership with CIPFA next month. We will be in touch shortly with further details to enable you to register. We will also be liaising with administering authorities regarding any requirements employers' auditors may have in relation to accounting under IAS19/FRS102.

In the meantime, if you would like to discuss how Aon can support you in preparing for McCloud, whether it's a planning workshop, project initiation or anything else, please contact:

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The consultation closes on 8 October 2020.

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