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**This bulletin from the Staffordshire Pension Fund, focuses on current issues that you should be aware of relating to the Local Government Pension Scheme (LGPS)**

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Issue November 2019

## McCloud Case – LGPS implications

### Background

Employers are aware that following a Government Consultation legislation was introduced to move all public pension schemes from a Final Salary Scheme to a Career Average Revalued Earnings (CARE) Scheme. As part of the transition to the new scheme certain protections were given to scheme members, who in 2012 were within 10 years of their normal retirement date. Protected members who meet the criteria for protection will receive the better of their CARE Scheme or one calculated under the 2008 Final Salary Scheme Rules.

In December 2018, the Court of Appeal found that similar transitional provisions in the pension schemes for firefighters and the judiciary resulted in unlawful age discrimination. The initial case was brought by McCloud and other members of the Judicial Pension Scheme, hence the name the McCloud case.

The Government appealed to the Supreme Court to overturn the Court of Appeals decision. However, on 27 July the Supreme Court denied the Government permission to appeal.

Although the case only applies to two schemes the Government has confirmed that the principles of the outcome would be accepted as applying to all public sector schemes.



## What happens next?

This matter will now be referred to the Employment Tribunal for a remedy hearing. This involves the submission of detailed evidence and could take 12 months or longer to reach a hearing. Once the tribunal makes a finding or remedy, compensation will be awarded, and the scheme rules amended as appropriate.

The Fund has recently undergone an Actuarial Valuation. Following the valuation, the Fund produces a revised Funding Strategy Statement which sets out how it calculates Employer contributions in different circumstances and for different organisations.

One of the changes to the FSS sets out how the Fund will deal with the uncertainty arising from the McCloud ruling.

## Employee Contractual Hours History

In readiness for the pension changes we require all employers to retain hour changes and salary details for all employees past and present from 1 April 2014. This should include the contractual hours per week, the effective date and the pensionable earnings during that period.

At this stage we do not require Employers to submit this additional information to the Fund. However, it is vitally important employers maintain the employee contractual hours history which will be required by the Fund in the future.

## Exit Cap Update

Further to our June newsletter (see link below) that subject to a consultation the Government planned to introduce a **£95,000 (£95K) cap on exit payments for public sector bodies**. The consultation has now closed and the HM Treasury (HMT) received approximately 600 responses. HMT plan to publish their response later this year, but we understand that HMT are to introduce the Exit Cap **no sooner than 1 April 2020**.

<https://www.staffspf.org.uk/Employers/Newsletters/Employer-Focus-June-2019.pdf>



The following two articles (Fund Actuarial Results 2019 and Funding Strategy Statement) only applies to Employers whose employer contribution rate is set at 3 yearly intervals in line with the Actuary's Rates and Adjustment Certificate. If the contribution rate your organisation pays is fixed for the life of your current contract the Fund Actuarial valuation will not alter the contribution rate your organisation pays and for this reason you will not receive the information outlined below.

## Fund Actuarial Valuation 2019 Results

As a participating Employer in the Staffordshire Pension Fund, your organisation needs to pay contributions to the Fund. The level of these contributions is reassessed every three years, as part of the "Actuarial Valuation" of the Fund. The valuation of the Fund at 31 March 2019, determines the contributions your organisation needs to pay for the three years beginning 1 April 2020

The Fund in conjunction with the Fund's Actuary has now completed the 2019 Valuation and we are now in the process of communicating the information to Employers with the Fund

On receipt of the Valuation communication Employers should:

- appreciate the contributions you will need to pay from 1 April 2020;
- allow sufficient time for any queries in connection with those contributions or other funding issues to be resolved by March 2020 and
- consider the Fund's proposed methods of determining all Employers' contributions, as per the draft 'Funding Strategy Statement' which is now under consultation and respond accordingly (please see article below)

## Funding Strategy Statement (FSS) Consultation

<https://www.staffspf.org.uk/Employers/Latest-News/Latest-News.aspx>

The FSS is revised following each actuarial valuation. This document outlines the Fund's approach to calculating all Employers' contribution rate.

In summary changes made to the FSS this time include:

- Details of the **Actuarial Assumptions for the 2019** valuation (Appendix E);
- Details on how the Fund will deal with the uncertainty arising from the **McCloud ruling** (2.7, Table 3.3 note (j)); *\*refer to McCloud article in this Newsletter*



- Details on the **cashflow (HEAT) approach** to tracking individual Employer asset shares (D5), including how asset shares are adjusted when an individual member moves from one Employer in the Fund to another (D6);
- Clarifying what it means when an Employer participates in a **funding pool** (3.4); and
- Clarifying the difference between **stabilised Academies and un-stabilised Academies** (Table 3.3 note b)).

Where applicable we would encourage Employers to review the FSS and feedback any comments and views by the consultation closing date of **2 December 2019**.

Please email them directly to [pensions.comms@staffordshire.gov.uk](mailto:pensions.comms@staffordshire.gov.uk)

**If you require any further information or clarification, please do not hesitate to contact Martin Griffiths, Communication Officer**  
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