LGPS McCloud interest calculator user guide

Calculator version: v1.0

Purpose

This note has been prepared to assist scheme managers and administrators in using the GAD LGPS McCloud interest calculator. The purpose of the GAD LGPS McCloud interest calculator is to calculate the interest that should apply to payments arising from applying the McCloud remedy.

It sets out a simple guide on how to use the calculator and specification of the inputs required by the calculator.

Scope

The calculator should only be used for the following situations and for funds in LGPS England and Wales:

a.   **Retirement recalculations**: final underpin date before 1 October 2023

b.   **Trivial commutation top-up payments** (including small pot payments and trivial commutation lump sum death benefits): original calculation date before 1 October 2023

c.   **Transfer top-up payments:** original calculation date before 1 October 2023 (excluding bulk transfer payments and Club transfer payments to McCloud remedy schemes)

d.   **Top-up death grants:** member died before 1 October 2023

e.   **Survivor pension recalculations:** survivor pension in payment before 1 October 2023

f.   **Pension credits:** PSO effective date between 1 April 2014 and 30 September 2023 (inclusive) and the LGPS pension credit was in payment on 1 October 2023.

Tax is not considered in the calculator. This should be considered by the user.

The Government Actuary's Department is proud to be accredited under the Institute and Faculty of Actuaries' Quality Assurance Scheme. Our website describes the standards we apply.

References

The calculator is built in line with GAD's interpretation of the interest calculation requirements for the LGPS England and Wales, as set out in:

- The Public Service Pensions (Exercise of Powers, Compensation and Information) Directions 2022 (the Directions):

The_Public_Service_Pensions__Exercise_of_Powers_Compensation_and_Information__Directions_2022.pdf (publishing.service.gov.uk)

- The Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023 (the 2023 Regulations):

The Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023 (legislation.gov.uk)

Users should ensure that they are aware of the requirements made under prevailing legislation, including any amendments made in the future.

Interest rates (assumptions)

The interest rates set out in the calculator are based on GAD's understanding of the relevant legislations and reflect the interest rates applicable as at 25th July 2024.

The user should ensure the assumptions are up to date before using the calculator. The rates are subject to change and the user is responsible for ensuring the rates in the calculator are relevant for the purpose of the calculation. The user can change the rates directly in the calculator.

Judgments Act rate

For schemes which refer to The Public Service Pensions (Exercise of Powers, Compensation and Information) Directions 2022, this rate is set out in The Judgments Act 1838 (for schemes in England and Wales):

Judgments Act 1838 (legislation.gov.uk)

This rate is currently 8%.

Note that if the 8% rate changes in the future, the Directions allow, in the interest of simplicity, for the calculation to use the median or average rate which applies over the relevant period (38(5) of the Directions).

Mid-point calculations

Where the start date of interest is the mid-point of a period between two dates, the calculator works out the period as [end date – start date]. This means that the period is not inclusive of the end date. When the mid-point of this period is calculated, the result is rounded up. This approach is based on GAD's interpretation of the 2023 Regulations on mid-point dates (14(6) and 14(9)).

For example, this approach means that the period between 1 March and 31 March is treated as 30 days (31 March - 1 March). Half of the period is 15 days, so the calculator adds this to the start date (1 March + 15 days), resulting in a mid-point of 16 March. This date doesn't need to be rounded up, so the final mid-point of this period according to the calculator falls on 16 March.

The period between 1 March and 30 March is treated as 29 days (30 March - 1 March). Half of the period is 14.5 days, so the calculator adds this to the start date (1 March + 14.5 days), resulting in a mid-point between 15 March and 16 March. As this date is halfway between two days, this is rounded up so that the final mid-point of this period according to the calculator falls on 16 March.

Any questions should be referred to MHCLG in the first instance.

Instructions

The calculator allows for both bulk and individual member entry. Instructions on how to use the calculator in both ways is set out below. Guidance can also be found on the corresponding *Inputs* sheets of the calculator.

Set calculation type

1. Go to the *Scope* sheet and find the box labelled "Please select calculation type". Select either "Bulk" or "Individual" from the drop down menu as shown below.
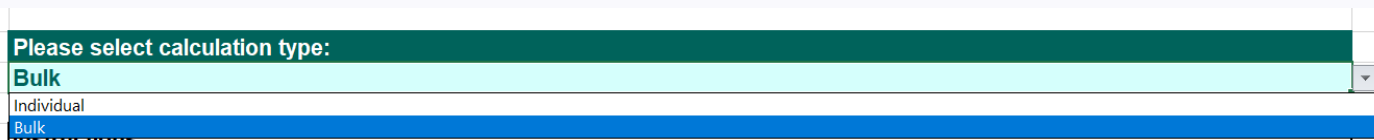
Individual data input

1. If entering individual data, go to the *Inputs (Individual)* sheet.

2. Fill in the inputs at the top of the sheet (cells B6 to B10). Each input is explained in the Glossary of inputs section of this user guide.

3. The calculator processes one payment type at a time; if multiple payment types are required for a member then separate copies of the spreadsheet should be used, or use of the bulk input method as set out in the Bulk section can be used.

4. Look at the error count (cell B17) and ensure there are no errors with the inputs. Details of any errors are set out in rows 12 to 16. Where there is an error outstanding, no Output will be shown.

5. Proceed to the Obtaining the outputs section of the user guide.

Bulk data input

1. If entering bulk data, go to the *Inputs (Bulk)* sheet. On this sheet, data for multiple members and multiple payment types can be processed.

2. Fill in columns A to G of the inputs table, starting in row 23. Each input is explained in the Glossary of inputs section of this user guide.

3. The bulk calculation can only process one payment type per member ID per row. If multiple payment types are required, alternative Member IDs can be used per payment type (e.g. where interest calculations relating to a member's pension payments and lump sum payment are required, alternative member IDs "Member1_Pension" and "Member1_LumpSum" may be used). The global ID can be used to identify a member or group of members in the outputs. An illustration of this is provided in the Example inputs.

4. Look at the error count (cell M21) and ensure there are no errors with the inputs. You can filter the error count column (column M) to identify rows which have failed checks. If there are errors, error messages will display in the corresponding check column and data row, and outputs will not be displayed in the Outputs sheet for that member.

5. Proceed to the Obtaining the outputs section of the user guide.

Please note that this version of the spreadsheet allows for 500 rows of data to be entered as bulk data. This number was chosen for balance of bulk functionality, calculation speed and file size.

Obtaining the outputs

1. Proceed to the Outputs sheet. The Outputs sheet summarises key inputs and shows the total interest due. If any input checks have not been passed, the total interest due will not be displayed and an error message will be shown.

2. **If you are using the version of the calculator *without* macros**, you will need to refresh the pivot table labelled "Member IDs". You can do this by right clicking on cell A22 and selecting "Refresh". You can then view the outputs in the outputs table.
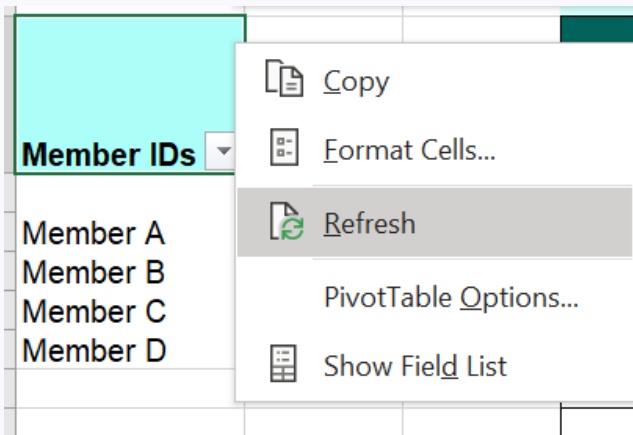
3. **If you are using the version of the calculator *with* macros**, the results will automatically update as you enter data.

4. **To check if you are using the version of the calculator with or without macros**, please see the "Workbook" heading in row two of any sheet of the calculator.

Glossary of inputs

Input	Description
Member ID (bulk calculations only)	A unique identifier for each member (and payment type) you are entering.
Global ID (bulk calculations only)	An optional input for identifying a member or group of members in the output. This does not impact the calculations.
Effective date	The date the interest will be calculated up to.
Payment type	Select the payment type from the drop-down list. The interest method varies depending on the type of payment. Note: only a single payment type can be processed per member ID. If you wish to calculate interest on different payment types for a given person, this can be achieved using the Bulk data functionality by setting different member IDs for each payment type.
Lump sum payment date	If the payment is a lump sum payment (e.g. Member commuted lump sum), enter the date from which interest should apply (see Note A). Note: only a single lump sum can be processed at once. If you wish to calculate interest on different lump sum amounts for a given person, this can be achieved using the Bulk data functionality by setting different member IDs for each lump sum.
Earliest payment date	If the payment is not a lump sum (e.g. member pension) enter the start date that is required for the mid-point date calculations (see Note B)).
Payment amount	The amount of the remedy payment. This calculator determines the amount of interest applying to remedy payments owed to the member. These amounts should be input as a positive number.

Note A: 2023 Regulations 14(6)(b) and (c) set out the dates from which interest on one off payment types should apply.

Note B: 2023 Regulations 14(6)(a), (d) and (e) set out the mid-point dates from which interest on pension amounts should apply. The "Earliest payment date" input should be the start date for the mid-point date calculation.

The required date inputs are summarised below:

Payment type	2023 Regulations reference	Earliest payment date input requirement (to calculate mid-point)	Lump sum date input requirement
Member pension	14(6)(a)	day after member's final underpin date	N/A
Member commuted lump sum	14(6)(b)	N/A	the earliest day from which the administering authority would have been able to make the payment for a lump sum paid under regulation 5(7)
Death grant, Club/Non-Club transfer out, Trivially commuted lump sum	14(6)(c)	N/A	the day on which the original payment was made
Survivors pension	14(6)(d)	day after member's date of death	N/A
Pension credit member pension	14(6)(e)	day on which pension credit pension was put into payment	N/A

Input checks

The checks in the input sheets are set out below.

Please note that these checks are intended to catch some common issues, but there is still a risk of errors that are not allowed for in these checks. As the outputs are very sensitive to differences in input data, we would recommend having a thorough process in place to check that all the user inputs and the interest methodology are correct to reduce the risk of the interest payment being incorrect.

Check	Description
Payment date consistency check	Checks that only one of the Lump sum payment and Earliest payment date is completed
Lump sum check	Checks that: • the Lump sum payment date is populated if the payment type is a lump sum • the Lump sum payment date is blank if the payment type is not a lump sum
Effective date check	Checks that Effective date is not blank
Payment amount check	Checks that Payment amount is greater than zero.
Payment type check (individual inputs only)	Checks that the payment type is from the allowable list
Payment type and member ID check (bulk inputs only)	Checks that the payment type is from the allowable list and no duplicated member ID is used.

Example inputs

Individual inputs

1. Example of a member who received pension payments totalling £60,000 starting 19th September 2017 but should have received a total of £80,000. The inputs required to calculate the interest applying to the remedy amount of £20,000 (£80,000 - £60,000) up to 16 March 2024 would be input as follows:

Government Actuary's Department			
Workbook:	**McCloud Interest calculator**		
Worksheet:	**Inputs (Individual)**		
Location:	\\gad-ast\ast\PSPS\McCloud\Interest calculator\Development\LGPS version\[LGPS McC		
Effective date	16/03/2024	This the date the interest will be calculated up to	
Payment type	Member Pension		
Lump sum payment date		If the Payment type is a lump sum, this is the date from which ir	
Earliest payment date	19/09/2017	If the Payment type is a form of pension, this is the start date fo	
Payment amount	£20,000.00	Enter the total payment amount. This calculator determines the	
Payment date consistency check		PASS	
Lump sum check		PASS	
Effective date check		PASS	
Payment amount check		PASS	
Payment type check		PASS	
Error count		-	

2. Example of a member who previously retired, is due an addition to their pension account in respect of the underpin, and has elected to commute some of their final guarantee amount to receive £25,000 of lump sum. The earliest the administering authority would have been able to make the payment of the top up lump sum is 1 May 2024. The inputs required to calculate the interest applying to the remedy amount of £25,000 up to 31 May 2024 would be input as follows:

Government Actuary's Department			
Workbook:	**McCloud Interest calculator**		
Worksheet:	**Inputs (Individual)**		
Location:	\\gad-ast\ast\PSPS\McCloud\Interest calculator\Development\LGPS version\[LGPS McC		
Effective date	31/05/2024	This the date the interest will be calculated up to	
Payment type	Member commuted lump sum		
Lump sum payment date	01/05/2024	If the Payment type is a lump sum, this is the date from which ir	
Earliest payment date		If the Payment type is a form of pension, this is the start date fo	
Payment amount	£25,000.00	Enter the total payment amount. This calculator determines the	
Payment date consistency check		PASS	
Lump sum check		PASS	
Effective date check		PASS	
Payment amount check		PASS	
Payment type check		PASS	
Error count		-	

Bulk inputs

If the two inputs outlined above were both relating to Member 1, they could be entered into the Inputs (bulk) sheet as follows (alongside a calculation in respect of Member 2):

Member ID	Global ID	Effective date	Payment type	Lump Sum payment date	Earliest payment date	Payment amount
Member 1_pension	Member 1	16/03/2024	Member Pension		19/09/2017	£20,000.00
Member 1_lump sur	Member 1	31/05/2024	Member commuted lump sum	01/05/2024		£25,000.00
Member 2	Member 2	01/03/2024	Survivors pension		10/04/2019	£5,000.00