# McCloud remedy: template letters for administrators

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## Introduction

The LGA and the Communications Working Group have produced these templates to help administering authorities adapt their communications to reflect the McCloud remedy. The LGPS rules changed from 1 October 2023 to remove the discrimination identified in the court case known as McCloud after a member of the Judges’ Pension Scheme involved in the case.

From 1 October 2023, eligible younger members are protected by the underpin that already protected older members from 1 April 2014 (2015 in Scotland). But the 1 October 2023 rules changes did not just extend the protection to younger members. The ‘old’ underpin rules did not include enough detail to ensure that protected members received a career average pension that was at least as good as they would have received under the final salary scheme. The October 2023 changes introduce more detail about how the underpin works in different circumstances. This means that the underpin works fairly and consistently for all protected members.

The new rules will mean a significant amount of extra work in different areas for administering authorities. We have split this document into sections:

* **Part 1: new calculations**. Certain calculations run for a protected member from 1 October 2023 onwards should reflect their underpin protection. Part 1 includes template paragraphs to add to existing letters to inform the member that their protection has been taken into account.
* **Part 2: Disclosure**. The October 2023 changes constitute a ‘material change to basic scheme information’ under The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. As such, administering authorities must give information about the changes to all people whose rights or prospective rights under the scheme may be affected by them. This must be done within three months of 1 October 2023. Part 2 includes a template of a newsletter article that could be used to satisfy the disclosure requirements.
* **Part 3: Retrospective changes**. Administering authorities will need to contact members who received payments from the LGPS before 1 October 2023 that are now changing retrospectively because of the ‘new’ underpin rules. Part 3 includes template letters for pensioner members. We will add other letters to this section if there is demand for them.
* **Part 4**: **Annual benefit statement.** A member’s underpin protection should be reflected in figures included in annual benefit statements from 2025 onwards. Part 4 includes templates of wording to include in statements and accompanying notes that reflect our recommended approach.

We would like to extend our sincere thanks to the Communications Working Group for their ongoing hard work to produce these templates.

## Using these templates

We hope that these templates are useful to all administering authorities. The templates will have to be amended locally to reflect:

* **Local practices** – for example, whether the member is sent a copy of the calculation sheet from the administration system or whether the relevant information is included in a letter.
* **Local processes** – whether the administering authority sends the information by post or electronically and whether the member must respond through a portal.
* **Software supplier** – if we have the information, the templates include the wording that will be shown on outputs from the main software suppliers. Administering authorities will need to adapt the wording to match the wording of any letters, statements or calculation summaries they are sending.
* **Local decisions** – where are you going to direct members who are looking for more information about the McCloud remedy and the underpin? You will need to decide whether to direct people to your own website or newsletter, or to the McCloud remedy area of the national LGPS member websites.

We have included text in [square brackets] where administering authorities may need to make local changes. Changes may also be needed in other areas.

## Other information and considerations

### New guidance

Administering authorities do not have all the information they need to process every type of case affected by the McCloud remedy from 1 October 2023. For example, further regulation changes and guidance are needed for:

* members who joined the LGPS after age 65 and transferred in remediable service from a different public service pension scheme
* protected members who have a pension sharing order with an effective date after 31 March 2014 (2015 in Scotland).

We will update this document with new templates that the Communications Working Group considers priorities as more information becomes available.

### Unprotected members

The templates are generally written for members who are protected by the underpin.

Administering authorities will have to think about how they will communicate with members who appear not to be protected by the underpin, but should be given an opportunity to declare pension scheme membership that may mean that they are protected. This is most likely to be the case where the individual was a member of:

* a different public service pension scheme before 1 April 2012, or
* the LGPS with in a different pension fund before 1 April 2012

and that earlier membership is separate from the later membership held by the administering authority preparing the communications.

### Calculations through online portals

Most administering authorities allow members or employers to run their own calculations through a secure online portal. Administering authorities will need to consider how to communicate the necessary information about underpin protection when a member or employer runs a calculation of this sort.

## Part 1: new calculations

The template paragraphs in this section can be added to existing letters to confirm that a member’s underpin protection has been taken into account in the calculation the administering authority is providing.

### ‘Compulsory’ retirements

This paragraph is for retirement quote letters if the retirement date is compulsory and the member cannot elect to defer payment to a later date. In these cases, the final assumed benefits, final underpin amount and any final guarantee amount are fixed and will not change.

This paragraph should be used for retirement quote letters if the protected member is:

* retiring on ill health grounds from active status
* retiring on redundancy or efficiency grounds, or
* retiring from active or deferred status at the Scheme’s upper age limit – age 75.

#### McCloud Judgment

Following the age discrimination case commonly known as McCloud, your pension has been tested to see if you are affected by the judgment. If you are entitled to extra pension, this is shown as [an 'Underpin Final Guarantee Amount’ / a ‘McCloud Final Underpin Pension Payable’] on your [calculation sheet/letter] and is included in the annual pension figure[s] shown. **Please note that very few members are affected.**

You can find out more about the judgment by reading the [McCloud member factsheet / McCloud pages of our website / the McCloud pages of the national LGPS member website (England and Wales: [www.lgpsmember.org/mccloud-remedy/](http://www.lgpsmember.org/mccloud-remedy/) , Scotland: [www.scotlgpsmember.org/mccloud-remedy/](http://www.scotlgpsmember.org/mccloud-remedy/))].

‘Optional’ Retirements

This template is for retirement quote letters if the protected member can choose to defer payment to a later date. It can be used for voluntary retirements from deferred or active status, as long as the member is below the upper age limit for Scheme membership – age 75.

The final assumed benefits and final underpin amount are not yet fixed for this type of member. If a final guarantee amount would be paid based on the quotation that you are providing, it is very unlikely that the same final guarantee amount would be paid if the member chooses to take their pension on a different date. It could be higher or lower, or it may not be payable at all.

#### McCloud Judgment

Following the age discrimination case commonly known as McCloud, your pension has been tested to see if you are affected by the judgment. If you are entitled to extra pension, this is shown as [an ‘Underpin Final Guarantee Amount’ / a ‘McCloud Final Underpin Pension Payable’] on your [calculation sheet / letter] and is included in the annual pension figure[s] shown. **Please note that very few members are affected.**

Please be aware that any [‘Underpin Final Guarantee Amount’ / ‘McCloud Final Underpin Pension Payable’] shown will be paid if you take your pension straight away. If you take your pension later, the [‘Underpin Final Guarantee Amount’ / ’McCloud Final Underpin Pension Payable’] may be higher, lower or may not apply. The final amount depends on a number of factors including your age when you retire.

You can find out more about the judgment by reading the [McCloud member factsheet / McCloud pages of our website / the McCloud pages of the national LGPS member website(England and Wales: [www.lgpsmember.org/mccloud-remedy/](http://www.lgpsmember.org/mccloud-remedy/) , Scotland: [www.scotlgpsmember.org/mccloud-remedy/](http://www.scotlgpsmember.org/mccloud-remedy/))].

### Retirement Estimate

This template is to add to a letter you send with a retirement estimate you have produced for a member at their request.

**McCloud Judgment**

Following the age discrimination case commonly known as McCloud, your estimated pension has been tested to see if you are affected by the judgment. If the results show that you would be entitled to extra pension if you retired on the date of the estimate, this is shown as [an ‘Underpin Final Guarantee Amount’ / a ‘McCloud Final Underpin Pension Payable’] on your [calculation sheet / letter] and is included in the annual pension figure[s] shown. **Please note that very few members are affected.**

You can find out more about the judgment by reading the [McCloud member factsheet / McCloud pages of our website / the McCloud pages of the national LGPS member website(England and Wales: [www.lgpsmember.org/mccloud-remedy/](http://www.lgpsmember.org/mccloud-remedy/) , Scotland: [www.scotlgpsmember.org/mccloud-remedy/](http://www.scotlgpsmember.org/mccloud-remedy/))].

### Deferred calculation

This template can be added to the letter sent to a newly deferred protected member who leaves the LGPS before their 2008 Scheme normal pension age. On leaving, the administering authority will be able to calculate the provisional underpin amount and provisional assumed benefits. These give an indication of whether the member’s pension will increase when they take it. But the final figures and any final guarantee amount can only be calculated when the member takes their pension.

If the member remained active beyond their 2008 Scheme normal pension age (usually age 65), that was their underpin date. Their provisional underpin amount and provisional assumed benefits were calculated on that date. The paragraph below may be adapted for a protected member who became deferred after age 65 based on how their underpin protection is reflected in the information you send them.

#### McCloud Judgment

Following the age discrimination case commonly known as McCloud, your deferred benefits have been tested to see if you are affected by the judgment. If the results show that you may be entitled to extra pension, this is shown as [‘Current Provisional Guarantee Amount’ / ’McCloud Current Provisional Underpin Pension Payable’] on your [calculation sheet / letter] and is included in your annual pension figure[s].

Please be aware that this is not a guaranteed figure. We will work out your [Final Guarantee Amount / McCloud Final Underpin Pension Payable] when you take your pension. The final amount depends on a number of factors, including your age when you retire. The [Final Guarantee Amount / McCloud Final Underpin Pension Payable] may be higher, lower or may not apply when you retire. **Please note that very few of our members are affected.**

You can find out more about the judgment by reading the [McCloud member factsheet / McCloud pages of our website / the McCloud pages of the national LGPS member website(England and Wales: [www.lgpsmember.org/mccloud-remedy/](http://www.lgpsmember.org/mccloud-remedy/) , Scotland: [www.scotlgpsmember.org/mccloud-remedy/](http://www.scotlgpsmember.org/mccloud-remedy/))].

### Survivor pension

This paragraph can be added to the letter about a survivor pension payable when a protected member dies.

#### McCloud Judgment

Following the age discrimination case commonly known as McCloud, your pension includes any [‘Dependant’s Guarantee Amount’] that you are entitled to. **Please note that very few members are affected.**

You can find out more about the judgment by reading the [McCloud member factsheet / McCloud pages of our website / the McCloud pages of the national LGPS member website(England and Wales: [www.lgpsmember.org/mccloud-remedy/](http://www.lgpsmember.org/mccloud-remedy/) , Scotland: [www.scotlgpsmember.org/mccloud-remedy/](http://www.scotlgpsmember.org/mccloud-remedy/))].

## Part 2: Disclosure

The new rules from 1 October 2023 constitute a ‘material change to basic scheme information’. To satisfy the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, administering authorities must tell all members who might be affected by the changes about the changes. They must do this within three months of the changes taking effect.

Administering authorities can use the following article to inform members about the changes. It will need to be adapted depending on whether the administering authority uses a single article for all members or different versions for different groups.

**LGPS rule change – the McCloud judgment**

**What is McCloud?**

When the Government reformed public service pension schemes in 2014 and 2015, older members were protected from the changes. In December 2018, the Courts ruled that younger members of the judges’ and firefighters’ pension schemes had been discriminated against because the protections did not apply to them.

This ruling is called the McCloud judgment after a member of the judges’ pension scheme involved in the case.

The rules of all public service pension schemes, including the LGPS, changed from 1 October 2023 because of the ruling. The changes are known as the McCloud remedy and they remove the age discrimination found in the McCloud judgment.

In the LGPS, older members were protected by the underpin. When a protected member retired, their pension in the career average scheme was compared with the pension they would have built up in the final salary scheme. If the final salary pension would have been higher, their pension increased.

From 1 October 2023, eligible younger members are also protected by the underpin. Not all LGPS members are eligible for protection. The underpin will protect the pensions of eligible members that they built up in the remedy period. The remedy period is from 1 April [2014 / 2015] to 31 March 2022. Underpin protection stopped earlier if you left the LGPS or reached your final salary normal pension age before 31 March 2022.

**What do you need to do?**

You do not need to take any action. We will work out if you are protected. If you are, when you take your pension, we will work out if it will increase because of the underpin. Any increase is known as a [‘final guarantee amount’].

Not many members will get a [final guarantee amount] because, for most members, the pension they built up in the career average scheme is higher than they would have built up in the final salary scheme.

**Active members**

If you are a protected active member, we will include information about how the underpin might affect your pension in your 2025 annual benefit statement. We must issue this by 31 August 2025.

If you leave the LGPS, we will work out provisional underpin figures for you. We can only work out the final figures and any increase to your pension ([a final guarantee amount]) when you take your pension.

**Deferred members**

If you are a protected deferred member, we will include information about how the underpin might affect your pension in your 2025 annual benefit statement. We must issue this by 31 August 2025.

We will work out final figures and any increase to your pension ([a final guarantee amount]) when you take your pension.

**Pensioner members**

If you are protected and your LGPS pension is already being paid to you, we will work out if your pension will increase. We will do this as soon as we can, but reviewing all pensions in payment will take some time.

**You do not need to contact us. Please be assured that we will contact anyone whose pension in payment will increase because of the McCloud remedy. We will only write to you if the new rules mean that your pension will increase.**

**Find out more**

You can find out more about the judgment by reading the [McCloud member factsheet / McCloud pages of our website / the McCloud pages of the national LGPS member website(England and Wales: [www.lgpsmember.org/mccloud-remedy/](http://www.lgpsmember.org/mccloud-remedy/) , Scotland: [www.scotlgpsmember.org/mccloud-remedy/](http://www.scotlgpsmember.org/mccloud-remedy/))].

## Part 3: Retrospective calculations

This section includes template letters to be used to communicate about increases to payments that were made or pensions that commenced before 1 October 2023 because of a member’s underpin protection.

### Member’s pension in payment

Administering authorities should review all pensions in payment in scope of McCloud protection. They must have regard to the McCloud implementation period set out in the Statutory guidance when they do this. The implementation period ends on 31 August 2025. Pensions paid to all protected members whose pension started before 1 October 2023 should be reviewed.

Administering authorities should have undertaken an exercise to identify any pensioner members who are protected because of previous membership of the LGPS or a different public service pension scheme which is separate from the pension account that is being reviewed.

Past Benefit Crystallisation Events (BCEs) are not re-visited when a member is entitled to an increased pension under the underpin rules now in force. The extra pension is a new entitlement. The member has the option to swap part of the additional pension to provide a tax-free lump sum.

The Communications Working Group recommendation is to:

* pay the extra as pension only, as a default position
* tell the member how to ask for more information about the option to exchange pension for lump sum
* provide a deadline for requesting that information, at which point pension only will be paid if the member has not made contact.

The group recommends this approach because many payments will be very small. Waiting for a member to make an election concerning the lump sum option could mean significant delays and additional interest payments.

The other main reason behind this approach is the change in tax rules since October 2023. The lifetime allowance has been replaced by the lump sum and lump sum death benefit allowances (LSA and LSBDA). Paying extra pension only will not constitute a Relevant Benefit Crystallisation Event (RBCE) under the current rules. A payment of this type cannot trigger additional tax charges, nor does it prevent a member from applying for a transitional tax-free amount certificate (TTFAC).

Administering authorities may choose to take a different approach and offer all members whose pension is increasing as a result of McCloud protection the option to exchange part of the additional pension for a lump sum. The template below can be adapted for this purpose. Administering authorities who decide to take this option will need to:

* request information from members about any BCEs and RBCEs that have occurred since the date they took their LGPS pension
* use this information to check that the member has sufficient LSA and LSBDA remaining
* explain the purpose of a TTFAC and give the member the opportunity to apply for one. Once the member has received a pension commencement lump sum (after 5 April 2024), it is too late for them to apply for a TTFAC.

‘Quote’ stage letter to pensioner member – pension will increase due to McCloud protection, arrears and interest payable.

Dear [member name]

**Local Government Pension Scheme (LGPS)**

**McCloud remedy payments**

We have reviewed your pension record and can confirm you are protected by the McCloud remedy. Your LGPS pension in payment will increase because of this protection.

**What is the McCloud remedy?**

When public service pension schemes, including the LGPS, changed from final salary schemes to career average schemes in 2014 and 2015, older members were protected from the changes. The court case known as the McCloud judgment found that younger members had been discriminated against.

The Government changed the LGPS rules from 1 October 2023 to remove the discrimination. These changes are known as the McCloud remedy.

You can find out more about the judgment by reading the [McCloud member factsheet / McCloud pages of our website / the McCloud pages of the national LGPS member website(England and Wales: [www.lgpsmember.org/mccloud-remedy/](http://www.lgpsmember.org/mccloud-remedy/), Scotland: [www.scotlgpsmember.org/mccloud-remedy/](http://www.scotlgpsmember.org/mccloud-remedy/))].

**New pension amount**

We have worked out the higher rate of pension that you will get because of your protection under the McCloud remedy.

The new rate of pension is £ [new pension rate] per month

This will be paid to you from [date of new rate].

We will also pay you arrears of pension payments for the period from [date from] to [date to], plus interest. Arrears of £ [arrears amount] will be paid on [payment date] with your monthly pension payment.

**Swapping pension for lump sum**

You can swap part of the extra pension for a lump sum. **You must contact us by [deadline date]** for more information about this option.

If we do not hear from you by [deadline date], we will increase your pension from [month] and pay arrears of pension payments and interest. We will write to you again to confirm these payments.

[Funds to insert details about their own IDRP]

If you have any questions about this letter, please contact me.

Yours sincerely

‘Actual’ stage letter to pensioner member – pension to increase due to McCloud protection, arrears and interest payable.

Calculation of interest is set out in:

* regulation 14 of the [LGPS (Amendment) (No. 3) Regulations 2023](https://www.lgpslibrary.org/assets/si/ew/SI2023-972.pdf) for England and Wales
* regulation 14 of the [LGPS (Remediable Service) (Scotland) Regulations 2023](https://www.legislation.gov.uk/ssi/2023/240/contents), as amended by the [LGPS (Remediable Service) (Scotland) (Miscellaneous Amendment) Regulations 2024](https://www.legislation.gov.uk/ssi/2024/374/contents/made) in Scotland.

These regulations cover interest related to McCloud protection in respect of payments originally made or pensions that began before 1 October 2023 only. If you are re-visiting past payments for any other reason, or re-visiting pensions that started after 30 September 2023, the special interest rules do not apply.

GAD has provided calculators to work out the interest due. You can find these in the McCloud remedy section of the:

* [Actuarial guidance (England and Wales)](https://www.lgpsregs.org/schemeregs/actguidance.php) page of [www.lgpsregs.org](http://www.lgpsregs.org)
* [Actuarial guidance (Scotland)](https://www.scotlgpsregs.org/schemeregs/actguidance.php) page of [www.scotlgpsregs.org](http://www.scotlgpsregs.org).

Interest on arrears of pension payments is based on the halfway point between the final underpin date and the date of payment.

Interest on any lump sum is based on the period between the earliest date the lump sum could be paid and the payment date. The earliest that any such payment could be made is the date you receive the member’s election to exchange part of the extra pension for lump sum ie **after** the date you send the ‘quote’ stage letter. There is no minimum period in the special interest rules. Interest is payable even if the earliest date the lump sum could be paid is less than a month before the payment date.

Many members will not have elected to receive a lump sum. The paragraph about lump sum payment should only be included in a letter to a member who has made such an election.

Administering authorities in Scotland should note that Scottish income tax does not apply to savings income. The information in the template below is based on UK rates and bands. Scottish administering authorities may decide to make local changes to make the position clear to their members.

Dear [member name]

**Local Government Pension Scheme (LGPS)**

**McCloud remedy – payment confirmation**

We wrote to you recently about the McCloud remedy and how it protects you. We have now arranged to pay your increased pension, arrears of pension payments and interest.

**New pension rate, arrears and interest**

Your new rate of pension is £ [new pension rate] per month

This will be paid to you from [date new rate paid from]

We will also pay you arrears of pension payments for the period from [date from] to [date to], plus interest for late payment. These will be paid with your monthly pension payment on [payment date]:

Arrears of pension payments £ [arrears amount]

Interest £ [interest amount]

**Payslips**

[Funds to insert details about how and when payslips are issued]

**[Lump sum** remove this section if no lump sum is being paid

Thank you for sending the information we need to pay your tax-free lump sum. The lump sum and interest will be paid direct to your chosen bank account [on/shortly after estimated payment date]:

Lump sum £ [lump sum amount]

Interest £ [interest amount]

*Administering authority to provide their usual relevant benefit crystallisation event statement.***]**

**Interest**

We have not taken tax from the interest we are paying you. HM Revenue and Customs (HMRC) treats interest as savings income, and you may need to pay tax on it.

Follow these steps to decide whether you need to contact HMRC about paying tax on your savings income.

**Step 1: Identify the total amount of interest you have received from all sources for 2025/26.** You should include:

* interest on your LGPS pension arrears [and lump sum]
* interest paid on any UK bank or building society accounts

**Do not include** interest paid on tax-free savings accounts.

You can find more information about interest on savings on the Gov.uk website: [www.gov.uk/apply-tax-free-interest-on-savings](http://www.gov.uk/apply-tax-free-interest-on-savings).

**Step 2: Assess whether the total amount of interest you have received for 2025/26 is more than your Personal Savings Allowance**

The Personal Savings Allowance is the amount of savings income that an individual can receive tax-free. The limit is different depending on your income. The Personal Savings Allowance is:

* £1,000 for a Basic rate taxpayer
* £500 for a Higher rate taxpayer
* £0 for an additional rate taxpayer.

If your total savings income for 2025/26 is **less than** your Personal Savings Allowance, you do not need to take any further action. If it is **more than** your personal savings allowance, you will have to pay tax on this amount [at your usual income tax rate (England and Wales) OR based on UK income tax rates (Scotland)].

You can find UK income tax rates here: [www.gov.uk/income-tax-rates](http://www.gov.uk/income-tax-rates).

**Step 3: Telling HMRC and paying tax.** There are two ways to tell HMRC about your savings income:

* in your self-assessment tax return
* if you do not have to complete a self-assessment tax return, contact HMRC about the tax you have to pay on your savings income:   
  [www.gov.uk/contact-hmrc](http://www.gov.uk/contact-hmrc).

You can find out more about who must submit a self-assessment tax return on the gov.uk website: [www.gov.uk/self-assessment-tax-returns](http://www.gov.uk/self-assessment-tax-returns)

You can find more information about how the Public Service Pensions remedy affects your tax position here: [www.gov.uk/government/collections/how-the-public-service-pension-remedy-affects-your-pension](http://www.gov.uk/government/collections/how-the-public-service-pension-remedy-affects-your-pension).

**Spreading arrears of pension payments**

The tax you pay on your pension arrears is based on your total income for 2025/26. This may put you into a higher tax bracket.

You can ask HMRC to spread your pension arrears over the period that they cover. This could reduce the tax due. You can contact HMRC at the end of the tax year about this.

You can find more information on pension payments made in arrears on the HMRC page: [www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim75020](http://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim75020).

[Funds to insert details about their own IDRP]

If you have any questions about this letter, please contact me.

Your sincerely

### Payments to survivors or beneficiaries

Administering authorities should review payments made in respect of members protected by the McCloud remedy who died before 1 October 2023. Three types of additional payments might be payable. Not all payments will be payable in every case.

See the McCloud administrator guide for detailed information on how to work out any top-up payments that are due. You can find the guide on the [Administrator guides and documents](https://www.lgpsregs.org/resources/guidesetc.php) page of [www.lgpsregs.org](http://www.lgpsregs.org).

Administering authorities should consider the requirement that:

‘A notification of a decision about the amount of a benefit must contain [include] a statement showing how it is calculated.’ Regulation 73(3) of the LGPS Regulations 2013 and regulation 68(3) of the LGPS (Scotland) Regulations 2018.

Administering authorities will need to decide what additional information to include when making top-up payments to comply with this requirement.

#### Arrears of member pension payments

If the member died before 1 October 2023 as a pensioner member, there may be arrears of pension payments payable as a result of their McCloud protection. These payments must be made to the personal representatives, as set out in regulations 5(5) and (6) of the [LGPS (Amendment) (No. 3) Regulations 2023](https://www.lgpslibrary.org/assets/si/ew/SI2023-972.pdf) and the [LGPS (Remediable Service) (Scotland) Regulations 2023](https://lgpslibrary.org/assets/si/scot/SSI2023-240.pdf). We expect payments of this type to be dealt with separately from survivor pension arrears and death grant top-up payments. They are not covered in the template letter that follows.

#### Death grant

A top-up death grant payment may be due if the member died as a deferred or pensioner member. McCloud protection will not affect the death grant paid in respect of an active member, unless regulation 40(5) of the 2013 Regulations (or regulation 38(3) of the LGPS (Scotland) Regulations 2018) meant that a deferred/pensioner death grant was paid instead of the active member death grant and the amount paid is affected by the underpin.

If a top-up death grant is payable, the administering authority should:

* pay a top-up death grant without undue delay
* if there were multiple recipients, pay the top-up death grant in the same proportions as the original death grant
* add interest based on the period between the date the original death grant was paid and the date the top-up payment is paid.

#### Arrears of survivor pension(s)

The member’s McCloud protection could mean that survivor pensions increase. This could include pensions paid to the member’s husband, wife, civil partner or eligible cohabiting partner and any eligible children. If arrears of survivor pensions are payable:

* calculate the new rate of survivor pension
* calculate the arrears of survivor pension payable from the start date of the pension to date, or to the date the pension stopped, if this is earlier
* calculate interest on the arrears.

#### Interest

Calculation of interest is set out in:

* regulation 14 of the [LGPS (Amendment) (No. 3) Regulations 2023](https://www.lgpslibrary.org/assets/si/ew/SI2023-972.pdf) for England and Wales
* regulation 14 of the [LGPS (Remediable Service) (Scotland) Regulations 2023](https://www.legislation.gov.uk/ssi/2023/240/contents), as amended by the [LGPS (Remediable Service) (Scotland) (Miscellaneous Amendment) Regulations 2024](https://www.legislation.gov.uk/ssi/2024/374/contents/made) in Scotland.

These regulations cover interest related to arrears of survivor pensions and top-up death grant payments where the death occurred before 1 October 2023. If you are:

* re-visiting pensions that started after 30 September 2023 because of McCloud protection
* re-visiting past payments for a reason other than McCloud

the special interest rules **do not apply**.

GAD has provided calculators to work out the interest due. You can find these in the McCloud remedy section of the:

* [Actuarial guidance (England and Wales)](https://www.lgpsregs.org/schemeregs/actguidance.php) page of [www.lgpsregs.org](http://www.lgpsregs.org)
* [Actuarial guidance (Scotland)](https://www.scotlgpsregs.org/schemeregs/actguidance.php) page of [www.scotlgpsregs.org](http://www.scotlgpsregs.org).

Interest on the death grant top-up is based on the period between the date the original death grant was paid and the date the top-up payment is paid. Interest is taxed in the same way as the top-up death grant is taxed. If the death grant top-up is paid tax-free, so is the interest.

Interest on arrears of survivor pension payments is based on the halfway point between the day after the member died and the date the arrears are paid.

Interest on arrears of survivor pension payments is treated as savings income. Administering authorities in Scotland should note that Scottish income tax does not apply to savings income. The information in the template below is based on UK rates and bands. Scottish administering authorities may decide to make local changes to make the position clear to their members.

#### Bank details

If you are paying a survivor pension, you will have the individual’s bank details to pay any death grant top-up payment and arrears to. If you are paying a death grant top-up only, or if the survivor pension has stopped, you will need to contact the individual to obtain up to date bank account details before you make the payment. A survivor pension may have stopped because an individual is no longer an eligible child or because the pension has been trivially commuted.

#### Other cases

The template letter is designed to cover the most common type of case. It does not cater for every scenario. Administering authorities will need to adapt the letter for cases where:

* the original recipient of a death grant or survivor pension has died. If this is the case, the top-up payment and pension arrears plus interest should be paid to the personal representatives
* the special lump sum death benefits charge applies to the death grant top-up (because the charge applied when the death grant was originally paid)
* arrears of a survivor pension where the pension is no longer in payment. This could be because the survivor trivially commuted the pension or a child’s pension has stopped because the recipient is no longer an eligible child.

There will be other circumstances that mean the template must be amended.

Template letter to notify a survivor / beneficiary of an increase to their survivor pension or death grant. The conditional paragraphs should be removed if they do not apply to the person the letter is being sent to. Interest paragraphs should only be included if you are paying arrears of survivor pension payments. These interest rules do not apply to the interest added to a death grant top-up payment.

Dear [survivor/beneficiary name]

**Local Government Pension Scheme (LGPS)**

**McCloud remedy payments**

We are writing to you because you are entitled to [extra payments / an extra payment] from the LGPS. This is because [deceased member’s name] was protected by the McCloud remedy.

**What is the McCloud Remedy?**

When public service pension schemes, including the LGPS, changed from final salary schemes to career average schemes in 2014 and 2015, older members were protected from the changes. The court case known as the McCloud judgment found that younger members had been discriminated against.

The Government changed the LGPS rules from 1 October 2023 to remove the discrimination. These changes are known as the McCloud remedy. We have reviewed past payments related to members protected by the McCloud remedy. Some payments will increase because of the rules changes.

You can find out more about the judgment by reading the [McCloud member factsheet / McCloud pages of our website / the McCloud pages of the national LGPS member website(England and Wales: [www.lgpsmember.org/mccloud-remedy/](http://www.lgpsmember.org/mccloud-remedy/), Scotland: [www.scotlgpsmember.org/mccloud-remedy/](http://www.scotlgpsmember.org/mccloud-remedy/))].

**Death grant top-up *Conditional – remove if no death grant top-up***

We will pay you a top-up to the original death grant that we paid when [deceased member’s name] died, plus interest for late payment. If the original death grant was paid to two or more beneficiaries, the additional payment has been split in the same way that the original death grant was split.

Death grant top-up £ [additional death grant – including interest]

Includes interest £ [interest]

This will be paid [on / shortly after] [payment date].

**Survivor pension amount *Conditional – remove if no survivor pension***

Your monthly survivor pension will increase because of McCloud protection.

The new rate of pension is £ [new pension rate] per month

This will be paid to you from [date of new rate].

We will also pay you arrears of pension payments for the period from [date from] to [date to], plus interest for late payment. These will be paid with your monthly pension payment on [payment date].

Arrears of pension payments £ [arrears amount]

Interest £ [interest amount].

**Payslips *Conditional – remove if no survivor pension***

[Funds to insert details about how and when payslips are issued]

**Interest on pension arrears *Conditional – remove if no survivor pension***

We have not taken tax from the interest we are paying you. HM Revenue and Customs (HMRC) treats interest on your pension arrears as savings income, and you may need to pay tax on it.

Follow these steps to decide whether you need to contact HMRC about paying tax on your savings income.

**Step 1: Identify the total amount of interest you have received from all sources for 2025/26.** You should include:

* interest on your LGPS pension arrears [and lump sum]
* interest paid on any UK bank or building society accounts

**Do not include** interest paid on tax-free savings accounts.

**[Do not include** interest on the death grant top-up payment] ***Conditional – remove if no death grant top-up being paid***

You can find more information about interest on savings on the Gov.uk website: [www.gov.uk/apply-tax-free-interest-on-savings](http://www.gov.uk/apply-tax-free-interest-on-savings).

**Step 2: Assess whether the total amount of interest you have received for 2025/26 is more than your Personal Savings Allowance**

The Personal Savings Allowance is the amount of savings income that an individual can receive tax-free. The limit is different depending on your income. The Personal Savings Allowance is:

* £1,000 for a Basic rate taxpayer
* £500 for a Higher rate taxpayer
* £0 for an additional rate taxpayer.

If your total savings income for 2025/26 is **less than** your Personal Savings Allowance, you do not need to take any further action. If it is **more than** your personal savings allowance, you will have to pay tax on this amount [at your usual income tax rate (England and Wales) OR based on UK income tax rates (Scotland)].

You can find UK income tax rates here: [www.gov.uk/income-tax-rates](http://www.gov.uk/income-tax-rates).

**Step 3: Telling HMRC and paying tax.** There are two ways to tell HMRC about your savings income:

* in your self-assessment tax return
* if you do not have to complete a self-assessment tax return, contact HMRC about the tax you have to pay on your savings income:   
  [www.gov.uk/contact-hmrc](http://www.gov.uk/contact-hmrc).

You can find out more about who must submit a self-assessment tax return on the gov.uk website: [www.gov.uk/self-assessment-tax-returns](http://www.gov.uk/self-assessment-tax-returns)

**Spreading arrears of pension payments *Remove if amounts are small***

The tax you pay on your pension arrears is based on your total income for 2025/26. This may put you into a higher tax bracket.

You can ask HMRC to spread your pension arrears over the period that they cover. This could reduce the tax due. You can contact HMRC at the end of the tax year about this.

You can find more information on pension payments made in arrears on the HMRC page: [www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim75020](http://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim75020).

**Making a complaint**

[Funds to insert details about their own IDRP]

If you have any questions about this letter, please contact me.

Your sincerely

## Part 4: Annual benefit statements

Administering authorities are required to reflect a member’s underpin protection in annual benefit statements for active and deferred members issued from 2025. They may choose not to reflect a member’s or a group of members’ McCloud protection in 2025 statements if they believe that this would be reasonable. This is set out in:

* [The LGPS (Information) Regulations 2024](https://lgpslibrary.org/assets/si/ew/SI2024-880.pdf) for England and Wales and
* [The LGPS (Remediable Service) (Scotland) (Miscellaneous Amendment) Regulations 2024](https://www.lgpslibrary.org/assets/si/scot/SSI2024-374.pdf) for Scotland.

In accordance with these regulations, if an administering authority exercises this discretion in respect of any members, they must notify them of this ‘in the annual benefit statement in respect of the [Scheme] year ending on 31st March 2025.’

Administering authorities take different approaches to how they produce and distribute annual benefit statements. Different software suppliers may deliver different solutions in 2025. What information it is possible to include in 2025 statements for members protected by the McCloud remedy may depend on:

* which software supplier is used
* whether the administering authority uses a template statement provided by their supplier or uses an Excel/csv extract to populate a statement of their own design
* whether the administering authority uses an AI-enhanced statement with personalised information.

Administering authorities also take different approaches to:

* what information to include in an annual statement
* the design and layout of the statement
* what format they are produced in (hardcopy, Word, pdf etc)

Some options concerning McCloud information could be restricted because of software limitations. At the time of writing this section of the guide, most funds were not in a position to test and review their software’s annual benefit statement output.

The Communications Working Group decided on a recommended approach to the information that administering authorities should include for a member protected by the McCloud remedy. The template wording that they agreed on has been written to fit those recommendations. We hope administering authorities that choose a different approach can still adapt the templates to suit their statements.

### Recommended approach - figures

This section covers what figures the Communications Working Group recommends including in an annual benefit statement for a member protected by the McCloud remedy. The recommendation applies to both active and deferred member statements.

1. Include the estimated final guarantee amount in the pension figure(s) in the statement. For an active member, the same amount will be added to the pension at 31 March (payable from Normal Pension Age (NPA)) and the projection to NPA. For some members, the estimated final guarantee amount will be £0.
2. If the member is under their 2008 Scheme NPA, the starting point for the underpin calculations is the estimated provisional assumed benefits and underpin amount. If the member is over their 2008 Scheme NPA, the starting point is their actual provisional assumed benefits and underpin amount.
3. If the member is over their 2014 Scheme NPA, the pension figures, estimated final assumed benefits and estimated final underpin amount should include late retirement increases based on the member’s age on the statement date. For active members this will be 31 March. For deferred members, this is usually the Pensions Increase (PI) date, but some administering authorities take a different approach.
4. If the member is under their 2014 Scheme NPA, the final salary element of the pension and the estimated final underpin amount should include late retirement increases based current factors for the period from the member’s 2008 Scheme NPA to their 2014 Scheme NPA.
5. Show the estimated final guarantee amount separately. This will help members identify whether they are protected by the underpin and see an estimate of how that protection might affect their pension.

### Recommended approach – groups and template wording

Our recommendation is to include different messages for different groups of members. We understand that not all administering authorities will be in a position to segment their members in exactly the way that we recommend in 2025. We hope that the template wording is a useful starting point for those funds that take a different approach. We also hope that making this recommendation:

* encourages administering authorities to take a consistent approach
* influences the development of standard templates produced by software suppliers, where the current versions are not yet compatible with these recommendations.

Our templates include a small amount of text to include in a member’s statement and a longer paragraph to include in the notes that accompany the statement. For this approach to work, it is important that it is possible to distinguish between a statement for a protected member with an estimated final guarantee amount of £0 and a statement for an unprotected member.

We have assumed that the statement, the letter that accompanies a hard copy of the statement or the email advising a member that their statement is available online will also instruct members to read the notes that explain the figures and terms used.

**Group 1:** Membersprotected by the McCloud remedy whose pension includes a non-zero estimated final guarantee amount.

**Group 1 statement text:** Your pension is protected by the underpin under the McCloud remedy. Your estimated final guarantee amount is included in the annual pension figure(s) and is shown [above, in section X / part X]

**Group 2:** Members protected by the McCloud remedy with an estimated final guarantee amount of £0.

**Group 2 statement text:** Your pension is protected by the underpin under the McCloud remedy. Your estimated final guarantee amount is £0. This is because your career average pension is more than the pension you would have built up in the final salary scheme.

**Group 3: [2025 statements only]** Members protected by the McCloud remedy in respect of whom the administering authority has exercised their discretion not to reflect the member’s McCloud protection in their statement. We are aware that administering authorities are likely to exercise this discretion for:

* members with a pension debit with an effective date after 31 March 2014 (2015 in Scotland). The regulations in England and Wales do not currently allow the debit to be adjusted as a result of McCloud protection. SPPA published GAD guidance on pension debits, including the adjustment for underpin protection, in April 2025. Scottish funds may not be ready to reflect this new guidance in 2025 statements.
* members with a Club transfer in. Not all software suppliers have provided a solution that allows ‘notional’ final salary service in the remedy period that relates to a transfer to be recorded.
* members with remediable service that has been transferred from a different public service pension scheme or LGPS administering authority and the previous administrators have not yet supplied final salary details for the remedy period.
* members who joined the LGPS after age 65 who transferred in remediable service from a different public service pension scheme. The regulations have not yet been corrected to introduce an underpin date for members in this group.

There may be other groups for whom an administering authority judges it is reasonable not to include McCloud information for in 2025 statements.

**Group 3 statement text:** Your pension is protected by the underpin under the McCloud remedy. It was not possible for us to reflect your protection in this year’s statement.

**Group 4:** Members who do not appear to be protected by the McCloud remedy based on the information the administering authority holds; however, they have service that could be remediable service if other relevant membership of the LGPS or a different public service pension scheme is disclosed.

These are apparently unprotected members who have LGPS service built up between 1 April 2014 (2015 in Scotland) and 31 March 2022, or service transferred in from a different public service pension scheme built up 1 April 2015 (2014 in the case of LGPS membership transferred from England or Wales to Scotland) and 31 March 2022.

Members in this group should be directed to disclose information about any relevant pension rights to the administering authority. We recommend that detailed information about what pension rights could be relevant is included in the previous rights form or accompanying notes. We have therefore only included basic information in the template text for the annual benefit statement.

**Group 4 statement text:** You are not protected by the underpin under the McCloud remedy.

**Groups 1, 2, 3 and 4 notes text:**

**McCloud remedy**

Some members are protected by the McCloud remedy. If you are protected, we will check the protected part of your pension when you retire. If you would have built up a bigger pension in the final salary scheme, your pension will be increased. The increase is known as your final guarantee amount. If you are protected, we have shown an estimate of this figure in your statement and included it in the yearly pension figures.

For some members, the estimated final guarantee amount is zero. This is because their pension is better than it would have been in the final salary scheme.

The estimated final guarantee amount is based on the pay information used for this statement. We will work out the actual figure when you take your pension. It could be higher or lower than the amount included in this year’s statement, but it cannot be less than zero.

In some complicated cases we were not able to include an estimated final guarantee amount in this year’s statement.

You can find out more about this protection by reading the [McCloud member factsheet / McCloud pages of our website / the McCloud pages of the national LGPS member website(England and Wales: [www.lgpsmember.org/mccloud-remedy/](http://www.lgpsmember.org/mccloud-remedy/) , Scotland: [www.scotlgpsmember.org/mccloud-remedy/](http://www.scotlgpsmember.org/mccloud-remedy/))].

If our records show that you are not protected, your statement will confirm this. However, you may be protected if you were a member of the LGPS or another public service pension scheme before your current membership started. Visit [link to webpage including McCloud previous rights form] to find out if you might be affected and to complete a form telling us about your other pensions.

**Group 5:** Members who are not protected by the McCloud remedy and do not have any service which could be protected. These include:

* Deferred members who joined the LGPS after 31 March 2022 and did not aggregate previous LGPS benefits nor complete a transfer in from another public service pension scheme.
* Active members who joined the LGPS after 31 March 2022 and have not aggregated previous LGPS benefits nor completed a transfer in from another public service pension scheme. These members could ‘acquire’ protection by transferring in or aggregating previous benefits. The question of their McCloud protection should be dealt with as part of the transfer/aggregation process, not through the annual benefit statement.
* Members who are too young to have been a member of the LGPS or a different public service pension scheme before 1 April 2012. Administering authorities will need to take a view on this. We recommend including members born after 31 March 1996 in this group.
* Members with only LGPS benefits in the remedy period who reached their 2008/2009 Scheme NPA before 1 April 2014 (2015 in Scotland). Underpin protection in the LGPS ends when the member reaches their 2008/2009 Scheme NPA. Protection in the other public service pension schemes does not have an upper age limit. We expect regulation changes to extend underpin protection to those who join the LGPS after age 65 and transfer remediable service to the LGPS. Members who do so should not be included in Group 5.
* Members who reached age 65 after 31 March 2014 (2015 in Scotland) who first joined the LGPS after age 65 and have not completed a transfer in from a different public service pension scheme.

If it is not possible or practical to use different wording for members in Group 5, they should be included in Group 4. If it is possible to differentiate this group, statement and notes for Group 5 members could include no information about the McCloud remedy.

### Service information

We recommend that members who are protected by the underpin are encouraged to check the service in the period 1 April 2014 (2015 in Scotland) to 31 March 2022 that has been used to work out the actual or estimated underpin amount.

Where the member can see the service details will depend on which software system the administering authority uses and how it has been set up. We therefore have not included template text for this.

Some administering authorities may have estimated a member’s part time service if it was not possible to obtain accurate hours and service break information from the employer. The method recommended by the Scheme Advisory Board (SAB) to do this is set out in the [McCloud data issues guidance](https://lgpslibrary.org/assets/gas/ew/McC_data_v1.0.pdf).

The SAB sought a [legal opinion on data collection for McCloud](https://lgpslibrary.org/assets/opinions/202301_McCloudDataIssues.pdf) and the implications of estimating service. If an administering authority has estimated service, the legal advice included a recommendation to:

* notify both the Scheme employer and the member of the reasons why the data supplied by the employer is believed to be incorrect or incomplete, and the estimated service details to be used instead, and
* allow a reasonable period for both employer and member to raise any objections or queries before the estimates are used to calculate and pay benefits.

This should have been done when the service was estimated and should not form part of the annual benefit statement process. Pensioner members and members who transferred out before 1 October 2023 may also be affected and should be contacted. These members will not be part of the annual benefit statement process.

## Disclaimer

This document has been prepared based on the LGPC Secretariat’s understanding of the information currently available including the relevant Statutory Instruments governing the Local Government Pension Scheme, associated overriding legislation and relevant draft legislation. It represents the views of the Secretariat and should not be treated as a complete and authoritative statement of the law. Readers may wish, or will need, to take their own legal advice on the interpretation of any particular piece of legislation. No responsibility whatsoever will be assumed by the Local Government Association for any direct or consequential loss, financial or otherwise, damage or inconvenience, or any other obligation or liability incurred by readers relying on information in this guide.