

Update No 3

The McCloud remedy - a progress update for immediate choice Police and Fire Scheme members

XPS have previously published progress updates in February & May 2024 in relation to the ongoing work they are completing on behalf of their Police and Fire clients to implement pension remedy for Immediate Choice members, and an update into the progress being made in relation to "business as usual" for members who are considering near term retirement.

What is the process you are following on immediate choice remedy?

As we have previously confirmed, where possible, we are processing the remedy statements in line with the recommendations of National Police Chiefs' Council (NPCC) and the Local Government Association (LGA) to produce statements for ill-health and beneficiaries first.

The published indicative timeline was updated in March 2024 but also included a note saying, that although the timetable has been nationally agreed, it is up to forces and Pension Administrators to determine the timetable that is right for their membership and cohorts.

For officers awaiting remediation of benefits that came into payment prior to October 2023, the first step we must take is to collect all the additional data we need to progress the calculations. We are working closely with Forces and good progress is being made, particularly in relation to the "financial data" (Pensionable Pay and Contributions for both schemes) we require.

All parties are very focused on resolving the data challenge and all necessary escalations have been made to ensure a clear focus on resolution - stakeholders are allocating resources as necessary, which is not easy, but they are progressing the data collection / generation activities, nonetheless.

Unfortunately, outside of the data we need, there is a tax issue that requires resolution before we can proceed with calculations. This does not impact on all cohorts / categories of member, but it does impact on our ability to progress calculations where members had previously taken the maximum cash option at retirement.

In summary, depending on the choices you made at retirement, under remedy you may receive a payment in relation to the interest that could have been built up on higher value benefits you should have received since the beginning of the remedy period, both in terms of pension payable and any lump sum.

The interest that is paid on arrears of lump sum and annual pension is known as a Scheme Administrator Member Payment (SAMP). Interest that is paid on the arrears of lump sum and annual pension may be subject to tax and incur an [unauthorised payment tax charge](#).

Pension administrators including XPS are awaiting further guidance on the application of tax to the SAMP and how this should be factored into the calculations required to issue Remediable Service Statements.

Whilst we await further guidance on how to handle the SAMP and publication of a revised calculator XPS have been working with key stakeholders and considering how best to proceed, to ensure members receive their Remediable Service Statements in line with the legislative timelines.

For Police members the NPCC have published an update to their website on 19 June 2024 which can be found here [News - policepensioninfo.co.uk](https://www.policepensioninfo.co.uk) covering the tax issue and the impact on the remedy timelines. We would encourage you to read this in conjunction with our update.

Having considered the above and what we can do to mitigate this delay XPS have decided to begin issuing statements for protected members where we have all the information we require, as this group are the least likely to be impacted by the issues outlined above. We are also reviewing all other cohorts and will start issuing statements to members not affected by the tax issue where we have all the required data.

To date we have issued **1011** statements to members and this number is increasing daily.

We appreciate that this does not fit within the published indicative timelines for issuing Remediable Service Statements but feel this is the most pragmatic way forward to protect our ability to deliver the wider project in line with legislative timescales and ensure members receive their Remediable Service Statements in a timely manner.

For Fire members we are continuing to work with the LGA and your FRA's to address the challenges and the implications on the delivery timelines.

As soon as the tax issue is resolved, we will revert to the previously agreed priority order where possible.

What do we mean by automation and / or bulk processing of calculations?

In our earlier update XPS explained that we are building a "technology-led solution" which will allow us to provide remedy to members more efficiently and that we have a dedicated 'McCloud team' working on this solution. Since our previous update we have continued to develop our automated calculation tools to support the delivery of this project whilst working with Scheme Managers to obtain all the required data to issue Remediable Service Statements to members.

To ensure that we issue all Remediable Service statements by the end of March 2025 (*at the latest) we need to increase the volume of calculations that we can complete in any given day or month. As we've already stated, the first two challenges are:

- 1) Obtain all the data we need.
- 2) Resolve the o/s tax issue where it is a barrier to processing calculations.

And then the final challenge is to increase the volume of calculations we are processing. The automated calculation engine we are building will allow us to address this element of the McCloud project challenge - the volume of work we need to complete.

We are also looking at the creation of an online option for members / officers to view their RSS and to make the necessary elections, where that is necessary (not all remedy calculations will result in an increase in benefits or subsequent decisions to be made).

What happens once I receive a remediation statement? (RSS) and am I guaranteed to receive an uplift to my existing benefits?

It is important to note that pension remedy means we need to revisit the benefits available to members for the remedy period 1 April 2015- 31 March 2022 and issue an RSS, it does not mean that all members will be due an uplift in their benefits, as many members will already be in receipt of the most beneficial option to them.

This can even apply to ill health retirees awaiting remedy, so please wait until you receive your RSS before making any assumptions as to what you may be due.

Once your remedy calculations have been completed and you have received your remediation statement, if you are due an uplift, you will be required to make an election / decision, and return that to XPS, so that we can make the necessary arrangements.

The legislative requirement is to issue a remediation statement (RSS) by 31 March 2025, but that does not mean that all benefits will necessarily be settled by this date. Members have 12 months from receipt of their statement to decide on their benefits. XPS will then process member options and settle benefits once a decision is received. Some members may be subject to medical reassessments (some ill health cohorts), and that process will need to be completed to allow XPS to proceed.

Wherever possible, XPS are committed to ensuring timely settlement, but we just want to be clear as to the legislation focus, the reliance on member decision making and / or processes, to allow us to proceed.

What is the current position on business as usual? I am considering retirement, but I cannot seemingly obtain an estimate of my retirement benefits?

If you have contacted us to request an estimate and you have not had a response as yet then please do accept our apologies. We are working hard to keep members updated and informed but do accept that that has not been universally achieved.

At the moment, due to high volumes of work we are having to work in a priority order, although the effort needed to produce remediation statements (RSS) for pre-October 2023 retirements are ringfenced, the core administration team are focusing on near retirements, and quotations due for members within 3 months of retirement.

We are continuing to process retirement estimates on a McCloud compliant basis (for members more than 3 months away from retirement) but they are taking longer, and it is appreciated that this does create some frustration for impacted members.

It is an improving situation - outstanding workloads are now reducing, and our adherence to pre-agreed contractual service levels are improving, and we are committed to maintaining and

continuing to improve our service to you. We are seeing stronger delivery on retirement activity, including timeliness of payments and the despatch of quotations to members within 3 months of retirement, and eventually we do expect that to drive improvements in our responsiveness for estimates.

I'm a vulnerable member and / or wish to escalate an issue for immediate attention, how do I go about that??

Dependant upon the nature of your circumstance, you should either contact your employer for guidance or you should escalate your case to David Watkins (Managing Director, XPS Administration) on the following email address - David.Watkins@XPSGroup.Com.

Where can I obtain more information?

How this judgement impacts the benefits you are entitled to will vary based on your personal situation, and more information about this process and how it might affect you on XPS's [My Own Pension portal](#) or on the dedicated [Police Pensions website](#) and [Firefighters Pension website](#). If you have any further questions, please contact our team at mptbluelight@xpsplc.com.

Future Communications & Updates

Finally, we understand that members will continue to have a keen interest in the progress of the Immediate Choice McCloud remedy, and we will be providing additional updates as the project proceeds, appreciating there is a keen interest in the timing of Remediable Service Statements being issued.