



T: 0300 244 4000
E: scottish.ministers@gov.scot

Kenneth Gibson MSP
Convener,
Finance and Public Administration Committee
By email: FPA.committee@parliament.scot

27 February 2025

Dear Kenneth,

I would like to draw the attention of the Finance and Public Administration Committee to the letter I have received from Stephen Pathirana, Chief Executive Officer of the Scottish Public Pensions Agency (SPPA), updating me on the progress the SPPA are making on delivering the McCloud Remedy changes to the public sector pensions schemes that they administer – those for the NHS, Teachers, police and fire services.

The McCloud remedy implements reserved and secondary legislation that “remedied” the age discrimination contained in some aspects of UK Government reforms to public service pensions in 2014/15. I thought it was important that the Committee is aware of and understands the challenging work that the SPPA undertaking.

Administering the McCloud Remedy adds the equivalent of five times the normal workload of the agency, a massive undertaking for any administrative organisation. Much progress has been made, and as part of the delivery programme SPPA has introduced new processes and has demonstrated the innovation I want to see more of across the public sector.

However, I am obviously disappointed to see that they will not have completed all the key milestones by the end of March, and that there will be members of the schemes impacted by this delay. However, you will see from the letter that there are a number of very understandable reasons, including delays in receiving clarity and guidance from the UK Government on reserved matters. I have written to the Chief Secretary to the Treasury to this effect.

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I note that most other managers of public sector pension schemes across the UK, find themselves in a similar position and have announced similar delays. It is also worth stressing that while the key deadline will be missed, legislation allows scheme managers to extend the deadlines where it is reasonable to do. In considering this, I expect SPPA to work with its key employer and member stakeholders employers to get the right communication to those affected.

I am reassured that SPPA is doing all it can to complete this work and recognises the importance of avoiding any significant delays. I expect regular updates from the SPPA so I can have assurance on progress.

Yours sincerely,

IVAN MCKEE

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St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot

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Ivan McKee
Minister for Public Finance
By email: MinisterPF@gov.scot

7 Tweedside Park
Tweedbank
GALASHIELS
TD1 3TE
www.pensions.gov.scot

Tel: 01896 893000
SPPAChiefExecutive@gov.scot

20 February 2025

Dear Minister,

Update on McCloud 2015 Remedy administration

As you are aware, significant legislative changes to public service pension schemes were made following the *McCloud* judgement in 2018, which found that aspects of the UK Government's reforms to public service pensions in 2015 discriminated on grounds of age. As a result pension scheme managers across the UK must take action to remedy the discrimination. This has been SPPA's primary focus over the last two years.

The scale of this programme of work, on top of business as usual, cannot be underestimated. Under remedy, we are obliged to provide affected scheme members with a choice between their legacy and reformed scheme benefits in respect of pensionable service between 2015 and 2022. This includes currently active or deferred members of each of the four devolved schemes, individuals who have retired, and in respect of those who have died since 2015. This information must be provided on Remediable Service Statements (RSS).

In the related legislation, both parliaments recognised the scale of the administrative exercise, and provided an 18-month window from 1 October 2023 for the scheme managers to send RSS. SPPA must send relevant active scheme members this information, also calculate alternative benefits for around 70,000 retired members by 31 March 2025. At the same time, we have to maintain routine scheme administration, ensuring pensions are payable to retiring and retired members on time.

We have taken significant steps in the planning and administrative implementation of remedy. This has included digital and data improvements, a programme of communications and engagement, the introduction of automated processes and the training of new staff in a complex administrative and legislative area.

However, the size of the undertaking has meant that much of the 18 month window provided by the legislation has been absorbed by planning and preparation. In addition, aspects of the exercise require significant input from third parties, and some elements are entirely outside the control of SPPA. We have faced delays in receiving clarity from the UK Government on the interaction of pension taxation and remedy that affects police and firefighters in particular, and

there remains other questions impacting those schemes. I am hopeful that these issues will be resolved in the short term.

As I have said, the key delivery milestone for the McCloud remedy is 31 March 2015, the date by which affected members should be issued with their RSS. Whilst progress has been made, it has become clear that that milestone will not be achieved in respect of all members in all schemes.

I appreciate this is disappointing, but I hope understandable given the issues set out. For context, I understand most other UK public service scheme administrators are in a similar position. We will engage the Pensions Regulator, however, the primary legislation does provide discretion for scheme managers to extend deadlines for RSS where it is reasonable to do so in respect of certain classes of membership. Whilst the position remains fluid, we are identifying those most at risk and will ensure clear communications and management of expectations

We are proactively managing communications with stakeholders, primarily through engagement with sector employers, employer organisations, member representative bodies and union representatives. We plan to step up our communications as we approach 31 March and as far as possible reassure stakeholders and members impacted by the delivery of remedy that we are working as hard as we can to put any outstanding issues right. To date, engagement has been constructive, however it is inevitable that we will face challenge from individuals and their representatives where there are delays to the provision of RSS beyond 31 March.

I am immensely proud of the team here, who are all working incredibly hard and are passionate about wanting to achieve this for our members. We know that that the revised timelines will be frustrating for our members. I am truly sorry for any impact this is having on our members and will keep driving us towards completing this task.

I will keep you informed of our progress, and I am available to discuss this with you at your convenience.

Yours sincerely

Stephen Pathirana
Chief Executive Officer