SPPA Scottish Public Pensions Agency
Buidheann Peinnseanan Poblach na h-Alba

Mr Gibson MSP,
Convener,
Finance and Public Administration Committee,
The Scottish Parliament

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Dear Mr Gibson MSP,

Thank you for your letter dated 21 March 2025 in response to the letter from the Minister for Public Finance's letter to the Finance and Public Administration Committee dated 27 February 2025 about SPPA's delivery of the McCloud remedy.

Like both the Minister and the Committee, I am also disappointed that the SPPA has not been able to complete the distribution of remediable service statements (RSS) to eligible public service pension scheme members by the statutory deadline of 31 March 2025. I am sorry for any frustration or distress that scheme members are experiencing due to this delay, we are working extremely hard to complete the exercise.

Before I go on to answer your questions, I want to stress that the SPPA is not the architect of the problem that needs to be remedied. The McCloud remedy is required under primary and secondary legislation. This was introduced following the Court of Appeal's finding that aspects of the UK Government's reforms to public service pensions, which took effect in 2014/15, discriminated on grounds of age. Whilst the remedy was anticipated to be a difficult exercise to carry out, the reality of the scale and complexity of the administration task at hand cannot be underestimated and we are not alone in our challenges in meeting the deadline with most comparable public service pension scheme administrators experiencing similar delays. For instance, the Minister of State for Health, Karin Smyth, recently made a statement in relation to the NHS pension scheme in England and Wales - Written statements - Written questions, answers and statements - UK Parliament.

I will do my best to answer your questions.

1. The total number of affected members who should receive a RSS by the key milestone of 31 March 2025.

To answer this question, it is useful to divide eligible members into two broad cohorts: those who have retired and must make an "immediate choice", and secondly, those who have not yet retired and must make a "deferred choice" at the point of retirement. There are approximately 65,000 individuals in the first cohort, and approximately 150,000 in the second group who are not yet retired and must also receive a RSS that provides information about their remediable pension benefits. This second cohort are provided with a RSS to help them understand the impact that remedy has had on their benefits, and they won't make a choice until retirement, although they may elect to reconsider any decisions they made in relation to their benefits that are linked to the age discrimination, for example any decisions to purchase additional pension benefits. In addition, the contributions payable by eligible Police scheme and Firefighters' scheme members have required adjustment due to the different rates between the legacy and reformed schemes.

2. The number of members who will receive an RSS by 31 March

As of the 31 March 2025 we issued more than 2,800 Immediate Choice RSS and we have already issued more than 56,000 Deferred Choice RSS.

3 & 4. The status of outstanding cases at 31 March 2025 and timescales for when all members in all schemes will receive an RSS.

The Public Service Pensions and Judicial Offices Act 2022 delivered the framework for the remedy and Section 29 of the Act sets the regulatory deadline of 31 March 2025. However, within that Section there is the discretion for the scheme manager to extend this deadline for a particular member or class of members where the scheme manager considers it reasonable to do. This is what we have done following discussion with The Pensions Regulator, and with the assistance of our scheme specific pensions boards. New delivery timescales have been communicated to members through our 'Remedy Hub' on the SPPA website and in other targeted communications. The timelines for individual schemes vary, but taking in to account some remaining administration challenges we aim to have all work completed for all schemes by 31 October 2025. This is broadly consistent with how other UK pension schemes are proceeding.

5. The predicted impact for those members affected by the delay and mitigations in place to minimise these impacts.

We recognise that eligible members will be frustrated with any delays above and beyond the time frames set out by the UK Government and we are truly sorry for any inconvenience these delays have caused, particularly to those members who have already retired. Considering the question of financial impact, firstly it should not automatically be assumed that individuals will be better off if they are able to revert to the final salary scheme versus the CARE scheme for the affected years, or that the difference in pension benefits will be substantial in most cases. The important point is that any arrears of pension or lump sum that arise from a members choice attracts interest at 8% simple from the date the underpayment arose until 28 days after the RSS is sent. This is a rate above any rate currently found commercially and is designed to recompense members for any shortfall experienced. Further compound interest then accrues at the National Savings and Investments Direct Saver rate (currently 3.30%) from the 29th day until the date the payment is received by the individual So, in principle there should be no financial detriment suffered by any delay a member might experience beyond 31 March 2025.

6. What processes the SPPA has in place to deal with the anticipated volume of complaints regarding cases that remain unresolved as at 31 March 2025.

We are working very closely with employers and representatives of trade unions and other staff associations to ensure that communications meet the needs of eligible member groups. The

2015 Remedy Hub section on our website is the single source of accurate information that stakeholders are encouraged to direct members to. We will continue to respond to any written complaints with humility and compassion and if I need to bring extra resources to support this I will do so.

7. An indication of the average amount (or typical amount, or minimum and maximum amounts) which someone who has already retired might currently be missing out on each month

It is difficult to answer this question as the amount will vary from zero upwards depending on each eligible member's circumstances. Even an estimate would require significant additional analysis which we are not in a position to do at this moment in time. As I have already said, individuals may actually find themselves better off, with what they are already in receipt of and will require no revision to their pension in payment. Individuals may also make choices around lump sums which would be difficult to account for accurately. Some individuals will also have to have additional pension contributions and tax payments and interest they owe deducted from what they might receive.

8. Timescales for when the full programme of remedy will be completed.

We have set out our revised timescales to the Pensions Regulator and published these on our remedy hub. Broadly speaking, we hope to have all work completed by the end of October 2025. If these timescales change, we will inform stakeholders immediately. There remain a number of unknown factors that could impact delivery, such as potential data issues that we are working through with employers, or technical problems we may encounter as we work though different batches.

I do hope I have answered all your questions satisfactorily, and I am of course ready to address any further concerns the Committee may have. I do hope I have your support as we navigate this period and deliver for our members.

I am copying in the Minister for Public Finance to this letter for his information.

Yours sincerely

Stephen Pathirana
Chief Executive Officer