

# Croydon Council

<b>REPORT TO:</b>	<b>Croydon Pension Board</b> <b>11 July 2019</b>
<b>SUBJECT:</b>	<b>Update on Developments in Respect of the McCloud / Cost Cap Case</b>
<b>LEAD OFFICER:</b>	<b>Nigel Cook, Head of Pensions and Treasury</b>

## **1. RECOMMENDATION**

- 1.1 To note the potential implications of this case on the valuation of the Croydon Pension Fund.

## **2. EXECUTIVE SUMMARY**

- 2.1 This report outlines the potential implications of the McCloud case on the accounts of the Pension Fund.

## **3. DETAIL**

### **Background**

- 3.1 At their meeting of 26 March 2019 the Board received a detailed report that described how the cost cap mechanism was to be applied across the Local Government Pension Scheme. That report informed the Board that the cost cap mechanism was to be deployed but that this had been challenged on the basis that it was discriminatory – the McCloud case.
- 3.2 This case has yet to be resolved but has potential implications for LGPS administering authorities who need to consider how to account for the possible ramifications of a future Supreme Court decision.
- 3.3 The Croydon Fund Actuary, Hymans Robertson published guidance for their clients. They advise that, despite the Government Actuary's Department postulating costs relating to the implications of any decision, it was not necessary to provide for this eventuality in the authority's statement of accounts.
- 3.4 The Actuary estimated the impact on total LGPS liabilities – not just active liabilities – to be in the range 0.5% to 1%. This, they consider, is an over-estimate, because it is based on a salary growth assumption of CPI plus 1.5% per annum, which far exceeds most informed forecasts. As a result a note to the accounts as a contingent liability, rather than a formal provision, seems an appropriate treatment. However, the minimal impact for funds with CPI salary increase assumptions does not mean that the McCloud case will have no future cost to a LGPS fund or employers. Regardless of the accounting impact, McCloud should still be regarded as a risk for funding and administration purposes.

---

**CONTACT OFFICER:**

Ian Talbot, Pension Fund Investment Officer  
Resources Department, ext. 62552.

**BACKGROUND DOCUMENTS:**

None