

Member Name
Address
Address
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Date

Dear [MEMBER SALUTATION]

Parliamentary Contributory Pension Fund (PCPF)

Response to McCloud – 2023 update

In July 2022 the Trustees of the PCPF contacted you to provide you with information on how the ‘McCloud’ judgement will affect your pension scheme. The letter explained that even though the PCPF is not covered by the legal judgement, IPSA is responding by making similar changes to your pension scheme, and will offer you a chance to change where you build up your pension benefits during the time period affected (‘the relevant period’). In order to take this forward, the Trustees and the IPSA Board have been working together on communicating the implications of the McCloud response to all impacted members. Therefore, if you are receiving this letter, it means that you are in the cohort of members affected by McCloud.

Who is included?

If you were an MP between 1 April 2013 and 7 May 2015, and have been re-elected once since 8 May 2015, then you are an impacted member.

What is happening?

As a reminder the headline McCloud response changes are:

- The Final Salary section will be closed to all members for future pension build up on 31 March 2023.
- You will be offered a choice in 2023, for your benefits built up between 8 May 2015 and 31 March 2023 to either be in the Final Salary, or the CARE section of the PCPF (including a no change option) through a McCloud Member Choice Exercise.

What will you receive and when?

All members currently in the Final Salary section have already been contacted to let them know that the section will close on 31 March 2023, and that from 1 April 2023 onwards they will build up all future benefits in the CARE section. This is why when you are given your choice this year, you can only choose to re-join the Final Salary section up to 31 March 2023.

As the Trustees explained, this choice will be between building up your benefits in either the Final Salary or the CARE sections of the PCPF (including a no change option) between 8 May 2015 and 31 March 2023 (the ‘relevant period’), and a full options pack of bespoke individual figures to enable you to make this decision should be sent out from Spring of this year. However, the section below explains the limitations of the information we can usefully provide in the absence of a Ministerial decision to introduce full ‘tax smoothing’ for the PCPF which would align with other public sector schemes.

How long do I have to decide?

As the Trustees communicated in the summer, we are not asking you to make this choice now. IPSA and Trustee officials have been working together to develop a full programme of communications and financial education intended to support you through this process, further information on these will be issued in due course.

You will not have to decide if you want to make any changes to the way your pension benefits build up during the relevant period until January 2025, which should give you plenty of time to make your choice. If you do not communicate a decision by that date, you will remain in the same section that you are in now for the benefits built up between 8 May 2015 and 31 March 2023. We will not make any changes to your pension unless you ask us to do so.

How do I decide what is best for me?

Both the Trustees and IPSA realise that for most members this will be a complex decision.

Trustee and IPSA officials are therefore working closely with the Scheme Administrator, Buck, to make sure that the pack of information you receive – the Member Options Pack - contains comprehensive and detailed comparative figures. We are intending that details of some of the tax implications of making changes to your benefits in the relevant period will also be included, although as mentioned above, this is dependent on Government Ministers clarifying the tax arrangements that will be introduced for the PCPF.

We know that each member's circumstances are different and for some the choice will be easier than others. IPSA is therefore funding a financial education programme to launch at the same time that the packs are issued. This programme includes:

- Seminars (in person and virtual),
- One-to-one meetings, and,
- Digital member journeys.

The member journey will contain scenario modelling to enable you to work through what each choice might mean for you in the future, based on your own specific financial situation. The first seminar will take place in person at a date to be confirmed, and you are encouraged to register your interest in advance so that we may contact you with further information as soon as the seminars are arranged. Please contact the Secretariat team on **0207 219 6481** or **pensionsmp@parliament.uk** if you would like to attend a seminar. Please be aware that spaces may be limited, so be sure to let us know if you wish to attend.

For many members, these tools should prove sufficient in enabling you to make your choice. However, we appreciate that for some members, further advice might be necessary.

What if I need or want formal financial advice?

You may already make use of a financial adviser. If you do, you will be able to give them access to the financial education resources detailed above, as well as your Member Options Pack, so that they can support you in making your choice. If you do not already use a financial adviser or if you would like advice from someone with knowledge of your scheme, we will be providing a shortlist of independent financial advisers, who are authorised by the Financial Conduct Authority to provide regulated financial advice, and who have been briefed on both the scheme and the McCloud options. Any financial advice would be taken as part of a contract between you and the adviser, and you will need to pay for the advice that they give.

IMPORTANT: PLEASE NOTE

The legislation which applies 'tax smoothing' to most other public service schemes implementing a McCloud remedy does not apply to the PCPF due to the unique constitutional and legislative set up of the PCPF. This is why the Trustees have been requesting a legislative solution from Ministers, but this has not yet been announced.

Any changes that you decide to make to your pension benefits may have tax implications and these implications will vary depending on your own personal circumstances. However, the PCPF secretariat and IPSA officials have been working closely with HMT to try to ensure that, as far as possible, any adverse tax consequences you suffer as a result of making changes to the pension benefits under this McCloud option are mitigated. Please note that due to ongoing discussions with HMT officials, we are **not** currently in a position to make an assessment of the tax impact for your McCloud member choice, but we will provide Members with an update as soon as we can.

Please bear with us but we will also keep you updated via the McCloud section of the PCPF website: **mycpfpension.co.uk/response-to-mccloud**

Budget 2023 and the McCloud Response

Many of you will also have questions on the Chancellor's announcement in the March Budget and the forthcoming change to the Lifetime Allowance and the Annual Allowance. The impact of the proposals is not yet fully known, and officials in the PCPF Secretariat team and IPSA continue to work with officials at the HMT to better understand the implications for our members, their McCloud member choice, and the resulting tax consequences.

The Trustees have organised for Origen, a firm of regulated financial advisors, to host a seminar on the 26th April about the impact of the new tax legislation on your PCPF pension. This seminar will not cover the impact of McCloud, but general pension tax legislation. If you wish to attend please contact the Secretariat for further information, on **0207 219 6481** or **pensionsmp@parliament.uk**

What happens next?

Trustee and IPSA officials are working hard to ensure that members have all the information and financial resources they may require from Spring 2023. The new PCPF webpage mycpfpension.co.uk/response-to-mccloud is where you can read and learn about our progress, and review any communications which have been issued. This page also contains an FAQ section based on questions the PCPF team has received from members about the McCloud response.

PLEASE NOTE: Neither Buck nor the PCPF Secretariat will be able to provide comparative figures for you in advance of the Member Options pack being issued from the Spring. If you do receive any pension or retirement figures from Buck in advance of receiving the Members Options Pack, these will not include any changes to your benefits as a result of the McCloud response.

What do I need to do now?

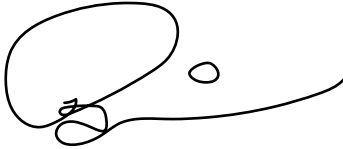
In July 2022 Buck asked you to complete a form giving details of any pension benefits you have built up before you joined the PCPF. These are called Retained Benefits. If you are yet to provide this information you will shortly receive a letter from Buck containing a further copy of this form.

Even if you do not have any Retained Benefits it is important for you to let Buck know, as this information could affect your McCloud choice.

If you have already provided your Retained Benefits information, there is nothing further for you to do now. We will contact you with your Member Options Pack in due course.

In the meantime you can keep up to date with progress by checking the PCPF McCloud response page of the Scheme website: mycpfpension.co.uk/response-to-mccloud

Kind regards



Sir Brian H Donohoe
Chairman of PCPF Trustees