

Member Name
Address

November 2023

Dear Salutation,

**Parliamentary Contributory Pension Fund (PCPF)
McCloud Response: Update on McCloud, and 1-to-1 Guidance Sessions**

We trust this correspondence finds you well. We are writing to you to provide you with an update on the expected timetable for delivery of the McCloud response, which you are affected by, and provide further information on the guidance and help available to you.

What have members been provided so far?

Most of the approximately 460 members impacted by McCloud have now received a McCloud options pack, with their personalised member benefits reflecting the value of their pension under each of the available options. Some members have been affected by the Government Actuary's late decision to review the Late Retirement factors. These packs are being calculated now, and members can expect their revised Option Pack early in the new year.

So far since July 2023, IPSA and the Trustees have provided 9 McCloud seminars, which have been very well attended. The dedicated online modeller, accessed at www.parliament.guide.co.uk has also been visited by scores of members so far. We encourage members to visit this personalised site, using the unique login information included in your member pack, where members can model various scenarios to project the anticipated value of their pension benefits under each option, and find further information about Independent Financial Advice. We greatly appreciate your proactive involvement and keen interest in wanting to understand the implications of the McCloud response on your pension more fully.

Why has the project been delayed?

The delivery of the McCloud response has been delayed, as the IPSA and the Trustees have had to work with HMRC and the Treasury to establish what legislation and tax regulations will be required, in order to ensure that any McCloud choice can be implemented without falling foul of overriding tax or pension legislation, leading to unintended tax consequences. This has taken a significant amount of time. However, the Autumn Statement 2023 has provided us with the assurance necessary to further progress this work, allowing us to continue to deliver the project and set out some timescales.

When will I make my decision?

You do not need to make your choice right away, as the deadline is 31 January 2025, however we are aware that there are members who are already, or will soon be, in a position to make their decision. Early next year the Trustees will write to members to ask if you are ready to make your choice, as the earliest some members can exercise their choice is from April 2024.

When will my decision be implemented?

For most members, implementation will occur on 1 February 2025, as set out in the Rules. However, the Trustees have discretion to implement earlier for any member who has retired already so that they may have their choice implemented from April 2024, and also discretion for those who retire between April 2024 and February 2025 so they may be able to do so on their McCloud choice benefits. The Trustees will be considering this discretionary matter shortly.

If your choice requires you to pay additional contributions, it is expected that you will only be able to start making these from the date of implementation. If any refund of contributions is due as a result of McCloud, these are expected to be paid from the proposed Redress Scheme (see section below). This is because refunds of contributions, if paid from the Fund directly, would currently be an unauthorised payment, leaving the Fund and Members potentially liable to tax charges. Legislation and tax regulations are required for proposed redress scheme payments to be possible, but the IPSA and Trustees are working closely with Treasury and HMRC to achieve this.

What else do I need to know?

Following implementation of your McCloud choice, if any unintended tax consequences arise as a result of your choice, the current proposal is that you will be able to apply to a Redress Scheme to be reimbursed for these costs. IPSA's recent consultation on the creation of this proposed Redress Scheme closed on 17 November 2023 and is subject to final decisions by the IPSA Board. It is expected that the proposed Redress Scheme will open from April 2025, but as mentioned legislation is required for this to be possible. More details on this will follow in due course.

Guidance sessions

Also from early next year, the Trustees have arranged 1-to-1 guidance sessions with an Independent Financial Advisor (IFA) from Origen. Origen is a firm of IFAs with knowledge of the PCPF scheme, who host annual seminars on behalf of the PCPF regarding the Annual Allowance and Lifetime Allowance tax charges, and Origen are also the firm who have hosted the McCloud seminars. The sessions will help you understand the potential impact of the McCloud choice on your pension and retirement plans. Please note that this is not Financial Advice but will provide guidance only.

In order to ensure that the most accurate and comprehensive guidance is given in the sessions, the Trustees felt it was important to wait for clarity on how any adverse tax treatments will be mitigated. We expect the IPSA Board to publish the results of their consultation on mitigating adverse tax consequences in due course, and so we feel it is now possible to begin providing this further guidance.

As a reminder, these sessions are being funded by IPSA, at no cost to our members, as with the seminars. We are hopeful that most members will be able to use these tools and the support outlined in your Options Pack, in order to make a well-informed decision. However, we appreciate that some members will still deem it necessary to seek independent financial advice, and the Trustees and IPSA have provided members with a route to access two IFA firms, appointed by Guide's Governance panel, who have full knowledge of the PCPF scheme and McCloud response. Further details on this are on the Guide site, your login details were provided to you in your Options Pack and Letter. Independent Financial Advice can be secured by you at a set cost, as outlined on the Guide site www.parliament.guide.co.uk.

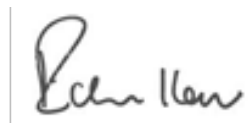
The Secretariat will shortly contact those of you who have already registered to attend a session, in order to schedule this meeting. If you have not already registered your interest, please do so by contacting the Secretariat on 0207 219 6481 or pensionsmp@parliament.uk.

Our ultimate goal is to ensure that you have all the essential information required to make informed decisions regarding your pension. The Trustees remain committed to providing you with the highest level of support and guidance throughout this process.

Yours sincerely,



Sir Brian H Donohoe
Chair to the Trustees



Richard Lloyd OBE
Chair, IPSA