

Strictly Private and Confidential

17 December 2024

Our ref: PCPF/McCloud/TaxDec24

Dear member,

Parliamentary Contributory Pension Fund (the "Fund"): McCloud Scheme Rules and Financial Regulations Update

We are writing to you to provide further information on the tax impact of your McCloud choice, dealing with the treatment of your pension accrued within the Fund between 8 May 2015 and 31 March 2023. If you have already chosen, or plan to choose, to make no change to your PCPF benefits through the McCloud choice available to you, then your tax position will not change, and you can disregard this letter. However, please do still return your McCloud options form to confirm that you do not wish to make a change to your benefits.

In October we wrote to you to provide an update on how your McCloud choice might affect your tax position. We also informed you of IPSA's intention to introduce a Redress Scheme which allows for discretionary payments to members to mitigate adverse tax consequences of members' McCloud choices. IPSA have now laid the PCPF Rules which introduce the Redress Scheme, which will open from April 2025.

We are sending this letter and the enclosed appendix 'a summary of McCloud tax implications' to all members impacted by McCloud, including members who have already advised us of their choice. This is because the Trustees believe it is important that all those being offered a McCloud choice receive the same information in relation to how a McCloud choice may impact your tax position.

The enclosed appendix has been written in collaboration with the Trustees' legal advisers, to provide members with information on how their McCloud choice is expected to affect their tax position and give all members sufficient clarity to be able to now make that choice. The appendix follows detailed discussions and correspondence with HMRC on forthcoming Tax Regulations which will make various provisions relating to the tax implications of members' McCloud choices, as well as certain payments from the Redress Scheme. We expect these Tax Regulations to be laid before the end of the current tax year.

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As a reminder, if you do make a McCloud choice which changes the value of your pension benefits, this will affect your tax position, particularly in relation to the annual allowance for the tax year 2024/25. Any annual allowance charge relating to the tax year 2024/25 will become due by 31 January 2026 as part of the normal self-assessment deadline.

We will write to you again next year, with further details of the Redress Scheme and how to make an application to it. Based on information currently available to the Trustees, members who we believe could be subject to an Annual Allowance charge or Lifetime Allowance (LTA) charge, if they change their benefits, have already been provided with information relating to these charges. Annual allowance statements have been issued showing the notional pension input amounts up to 2023-24 and the estimated actual pension input amount for 2024-25 based on our current understanding from HMRC. If you have not received this information, but believe you may be affected, or you need help understanding these statements, please contact the Members' Pensions team in the first instance, on the below contact details.

Members Pensions, House of Commons
0207 219 6481 <a href="mailto:pensionsmp@parliament.uk">pensionsmp@parliament.uk</a>

Please note that you remain personally and wholly responsible for your tax affairs and while the enclosed information is intended to be informative and based on our current understanding of the forthcoming Tax Regulations, it is not intended to be an exhaustive list of possible tax implications and does not constitute financial or tax advice.

Yours sincerely,

PCPF Administration Team  
Gallagher

For and on behalf of the Trustees of the Parliamentary Contributory Pension Fund