Government Actuary's Department

Armed Forces Pension Arrangements

McCloud guidance examples – applying McCloud remedy to incoming non-Club transfers

These examples have been prepared for use by the scheme administrator to demonstrate the calculations set out in the *Guidance for applying McCloud remedy to incoming non-Club transfers*, dated 5 October 2023 (referred to as the 'McCloud guidance note' in these examples). These examples should be read in conjunction with that guidance note.

These examples on applying McCloud remedy to incoming non-Club transfers depend on calculating the benefits awards for incoming non-Club transfers to the legacy schemes and the reformed scheme. Guidance and examples on these calculations are set out in incoming non-Club transfers guidance notes for those schemes, as referenced in the McCloud guidance note.

This document includes:

- Example 1 – Pre-1 October 2023 transfer in to AFPS15, convert to AFPS05
- Example 2 – Pre-1 October 2023 transfer in to AFPS05, convert to AFPS15 on election
- Example 3 – Additional payment received for remediable transfer value

Compliance and limitations

These examples have been prepared for use by the scheme manager and scheme administrator of the Armed Forces Pension Arrangements (the Scheme) for the purpose of applying the McCloud remedy to incoming non-Club transfers received by the Scheme. They were commissioned by the scheme manager, and were prepared by GAD in our role advising the scheme manager on the Scheme.

These examples may be published on the scheme manager and scheme administrator's website.

Other than the scheme manager and scheme administrator, no person or third party is entitled to place any reliance on the contents of these examples, except to any extent explicitly stated herein. GAD has no liability to any person or third party for any action taken or for any failure to act, either in whole or in part, on the basis of these examples, whether or not GAD has agreed to the disclosure of its advice to the third party.

These examples have been prepared in accordance with the applicable Technical Actuarial Standard: TAS 100 issued by the Financial Reporting Council (FRC). The FRC sets technical standards for actuarial work in the UK.

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Example 1 – Pre-1 October 2023 transfer in to AFPS15, convert to AFPS05 on rollback

Data from original calculations

Age last birthday	42
Age last birthday at date joined scheme	19
Sex	Female
Calculation date	15 April 2020
Original scheme for transfer	AFPS15
Amount of CETV received	£50,000.00
Pension received in original scheme (p.a.)	£2,325.04

Other data required

Alternative scheme	AFPS05
Normal Pension Age in alternative scheme	65
Pensionable earnings (p.a.) at Calculation date	£25,000.00

Factors required for alternative scheme

Factor guidance note	AFPS05 and AFPS75 non-Club transfers - Factor guidance, dated 13 February 2020
Factor table	Table 208ABC
Member's pension factor	24.52
Partner's pension factor	3.40
Lump sum factor	1.61

Alternative scheme transfer in benefit

The equivalent AFPS05 service credit for the transfer value received is calculated as:

$$\textit{Service credit} = \frac{£50{,}000.00}{(24.52 + 3 \times 1.61 + 0.625 \times 3.40)} \times \left(\frac{70}{£25{,}000.00}\right)$$

= 4 years 164 days

The formula above is based on that set out in the alternative scheme factor guidance note for calculating the service credit to be awarded on an incoming non-Club transfer.

Example 2 – Pre-1 October 2023 transfer in to AFPS05, convert to AFPS15 on election

<u>**Data from original calculations**</u>

Age last birthday	54
Age last birthday at date joined scheme	20
Sex	Male
Calculation date	1 December 2020
Original scheme for transfer	AFPS05
Amount of CETV received	£50,000.00
Service credit received in original scheme	4 years 116 days

<u>**Other data required**</u>

Alternative scheme	AFPS15
Normal Pension Age in alternative scheme	67

<u>**Factors required**</u>

Factor guidance note	Non-Club Transfers In/Out for members in AFPS 2015 - Factor guidance, dated 13 February 2020
Factor table	Table 208
Member's pension factor	19.27
Partner's pension factor	4.01

Alternative scheme transfer in benefit

The equivalent AFPS15 scheme pension for the transfer value received is calculated as:

$$\boldsymbol{Transferred\ pension} = \frac{£50{,}000.00}{19.27 + (4.01\ \times 0.625)}$$

= £2,296.08

This amount is as at the original calculation date.

The formula above is based on that set out in the alternative scheme factor guidance note for calculating the pension to be awarded on an incoming non-Club transfer.

Example 3 – Additional payment received for remediable transfer value

Where the non-Club incoming transfer was sent from another public service pension scheme, the scheme manager may accept an additional payment as a result of the sending scheme's McCloud remedy.

Data from original calculations

Age last birthday	52
Age last birthday at date joined scheme	18
Sex	Male
Calculation date	1 March 2020
Pensionable earnings (p.a.)	£30,000.00
Original scheme for transfer	AFPS05
Normal Pension Age	65

Other data required

Top up CETV amount received	£5,000.00

Factors required (in line with factors used for original calculation)

Factor guidance note	AFPS05 and AFPS75 non-Club transfers - Factor guidance, dated 13 February 2020
Factor table	Table 208ABC
Member's pension factor	21.75
Partner's pension factor	3.50
Lump sum Factor	1.31

Additional transfer in benefit

The additional AFPS05 service credit for the top up CETV amount is calculated as:

$$\boldsymbol{Service\ credit} = \frac{£5{,}000.00}{(21.75 + 3 \times 1.31 + 0.625 \times 3.50)} \times \frac{70}{(£30{,}000.00)}$$

= 0 years 153 days

The formula above is based on that set out in the scheme factor guidance note for calculating the service credit to be awarded on an incoming non-Club transfer.

This additional service credit should be treated consistently with the original remediable service credit awarded, and converted to alternative scheme benefits as required in line with the McCloud guidance note (in this case, potential conversion to the reformed scheme on election).