



Government
Actuary's
Department

Civil Service Pension Scheme (Great Britain)

McCloud guidance examples – applying McCloud
remedy to prospective divorce cases

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Government Actuary's Department

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Introduction

These examples are provided to demonstrate the calculations set out in the Pension Sharing on Divorce for McCloud members: Initial Cash Equivalent Value calculation on or after 1 October 2023 – “Prospective – main guidance” (the McCloud guidance note) dated 24 May 2024. These examples should be read in conjunction with that guidance note.

These examples on applying McCloud remedy to prospective divorce depend on carrying out divorce calculations in respect of benefits in the legacy schemes and the reformed scheme. Guidance and examples on these calculations are set out in divorce guidance notes for those schemes, as referenced in the McCloud guidance note.

These examples cover Tranche 2 benefits only (as defined in the McCloud guidance note). Tranche 1 and Tranche 3 calculations should be carried out in addition as required.

All of the examples in this document refer to:

- For cash equivalent calculations:
 - Legacy schemes guidance: Principal Civil Service Pension Scheme (PCSPS): Cash equivalents for pension sharing on divorce: Factors and guidance for classic, classic plus, premium and nuvos members dated 17 January 2020
 - Reformed scheme guidance: Civil Servants and Others Pension Scheme (CSOPS): Cash equivalents for pension sharing on divorce: Factors and guidance for the alpha scheme dated 17 January 2019
 - Where the examples are in respect of non-pensioners, the above guidance notes may require a cash equivalent transfer value to be calculated. These calculations are described in the relevant cash equivalent transfer value guidance.
 - The cash equivalent factors issued 25 May 2023 in the consolidated factors spreadsheet
- For pension credit calculations:
 - Legacy schemes guidance: Principal Civil Service Pension Scheme (PCSPS): Converting pension credit into pension: Factors and guidance for classic, classic plus, premium and nuvos members dated 1 October 2019
 - Reformed scheme guidance: Civil Servants and Others Pension Scheme: Converting pension credit into pension: Factors and guidance for alpha members dated 1 October 2019
 - The pension credit factors issued 25 May 2023 in the consolidated factors spreadsheet

For the purposes of these examples, we have used factors in force at the date of drafting these examples. In practice, the factors in force at the valuation day should be used.

Compliance and limitations

These examples have been prepared for use by the scheme manager and scheme administrator of the Civil Service Pension Scheme (Great Britain) for the purpose of applying the McCloud remedy to prospective divorce cases. They were commissioned by the scheme manager, and were prepared by GAD in our role advising the scheme manager on the Civil Service Pension Scheme (Great Britain).

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.

Example 1 – An active remedy member requests a CEV for divorce purposes; resulting PSO includes a legacy annex; member has not retired by valuation day

Member data required

Status	Active
Sex	Male
Initial CEV calculation date	1 April 2025
Member's age at initial CEV calculation date	50
Ex-spouse's age at initial CEV calculation date	48
Ex-spouse's sex	Female

Data required for remedy calculations

Information on the benefits earned by the member in the remedy period as if they were earned only in the legacy scheme and only in the reformed scheme is required:

Remedy period benefits	If accrued in legacy scheme	If accrued in reformed scheme
Scheme	Classic	alpha
Normal pension age	60	67
Pension	£2,600.00	£4,900.00
Lump sum	£7,800.00	n/a
Survivor pension	£1,300.00	£1,837.50
NI modification	£0.00	£0.00

Calculation of initial CEVs for PSO determination

This member is a deferred choice member and Section 2A of the McCloud guidance note applies.

Step 1 – Calculation of Cash Equivalent Value Legacy (CEVL)

Service period	Scheme	Calculation method	Value (CEVL)
Tranche 2 (Legacy scheme)	Classic	Applying the legacy scheme cash equivalent guidance to the benefits shown above 'If accrued in legacy scheme' Factors from Table P1CETV60 (Table 207 in consolidated factors spreadsheet)	£57,512.00

Step 2 – Calculation of Cash Equivalent Value Reformed (CEVR)

Service period	Scheme	Calculation method	Value (CEVR)
Tranche 2 (Reformed scheme)	alpha	Applying the reformed scheme cash equivalent guidance to the benefits shown above 'If accrued in reformed scheme' Factors from Table P2CETV67 (Table 204 in consolidated factors spreadsheet)	£68,840.10

Step 3 – Calculation of Remediable Cash Equivalent Value (RCEV)

$$\begin{aligned}
 \text{RCEV} &= \text{Maximum (CEVL, CEVR)} \\
 &= \text{Maximum (£57,512.00, £68,840.10)} \\
 &= £68,840.10
 \end{aligned}$$

The RCEV should be added with the Tranche 1 CEV to be quoted as the total cash equivalent value of the member's benefit from the relevant legacy scheme. The Tranche 3 CEV is to be quoted as the cash equivalent value of the member's benefit from the reformed scheme.

Calculations of the value of shareable rights

Assume the court issues a PSO as follows:

Classic	35.00% share
alpha	45.00% share

As the PSO contains an annex which relates to the legacy scheme, Section 3A of the McCloud guidance note applies.

Step 1 – Calculation of Recalculated Remediable Cash Equivalent Value (RRCEV)

The administrator should re-calculate the member's pension benefits and CEV for each tranche of benefits at the transfer day. For the purpose of this example, we have assumed the same CEV figures as calculated above; in practice, the re-calculations will not result in the same figures as quoted to the court for PSO determination.

$$\text{RRCEV} = \text{£68,840.10}$$

Step 2 – Calculation of Remediable Ex-partner Cash Equivalent Value (RPCEV)

$$\text{RPCEV} = \text{RRCEV} \times \text{legacy scheme PSO\%}$$

$$= \text{£68,840.10} \times 35.00\%$$

$$= \text{£24,094.04}$$

This should be combined with the recalculated CEV for Tranche 1 as the total CEV for the legacy scheme, and the recalculated CEV for Tranche 3 is the total CEV for the reformed scheme.

Calculation of the pension credit

Step 1 – Calculation of the remediable pension credit

This should be calculated using the RPCEV set out above.

Service period	Payable from	Calculation method	Ex-partner pension credit amounts
Tranche 2	Classic	Applying the legacy scheme pension credit guidance The Normal Pension Age for the ex-spouse is 60 Factors from Table P1PCCP1 (Table 306 in consolidated factors spreadsheet)	- Pension of £1,188.65 p.a. - Lump sum of £3,565.96

This should be combined with the pension credit for Tranche 1 as the total pension credit in the legacy scheme, and the pension credit for Tranche 3 is the total pension credit in the reformed scheme.

Calculation of the pension debit

For the purposes of this example, this member has not retired or made an irrevocable McCloud remedy choice by the PSO valuation day, therefore Section 5A of the McCloud guidance note applies.

Details of the pension debits as they apply under the legacy scheme and as they apply under the reformed scheme are required.

Service period	Pension debit amounts
Tranche 2 (Legacy scheme)	Based on benefits shown above 'If accrued in legacy scheme' • Member's pension debit = 35.00% x £2,600.00 = £910.00 p.a. • Lump sum debit = 35.00% x £7,800.00 = £2,730.00 • Survivor's pension debit = 35.00% x £1,300.00 = £455.00 p.a.
Tranche 2 (Reformed scheme)	Based on benefits shown above 'If accrued in reformed scheme' • Member's pension debit = 35.00% x £4,900.00 = £1,715.00 p.a. • Survivor's pension debit = 35.00% x £1,837.50 = £643.13 p.a.

Both sets of debit calculations in respect of the remediable service should be recorded on the administration system and revaluation should apply to both as usual. Pension debits in respect of Tranche 1 and Tranche 3 benefits should be calculated as normal.

Example 2 – An active member requests a CEV for divorce purposes; resulting PSO includes a reformed annex only

Member data required

Status	Active
Sex	Female
Initial CEV calculation date	1 October 2026
Member's age at initial CEV calculation date	59
Ex-spouse's age at initial CEV calculation date	50
Ex-spouse's sex	Male

Data required for remedy calculations

Information on the benefits earned by the member in the remedy period as if they were earned only in the legacy scheme and only in the reformed scheme is required:

Remedy period benefits	If accrued in legacy scheme	If accrued in reformed scheme
Scheme	Premium	alpha
Normal pension age	60	67
Pension	£4,100.00	£5,700.00
Lump sum	n/a	n/a
Survivor pension	£1,537.50	£2,137.50
NI modification	£0.00	£0.00

Calculation of initial CEVs for PSO determination

This member is a deferred choice member and Section 2A of the McCloud guidance note applies.

Step 1 – Calculation of Cash Equivalent Value Legacy (CEVL)

Service period	Scheme	Calculation method	Value (CEVL)
Tranche 2 (Legacy scheme)	Premium	Applying the legacy scheme cash equivalent guidance to the benefits shown above 'If accrued in legacy scheme' Factors from Table P1CETV60 (Table 207 in consolidated factors spreadsheet)	£91,353.13

Step 2 – Calculation of Cash Equivalent Value Reformed (CEVR)

Service period	Scheme	Calculation method	Value (CEVR)
Tranche 2 (Reformed scheme)	alpha	Applying the reformed scheme cash equivalent guidance to the benefits shown above 'If accrued in reformed scheme' Factors from Table P2CETV67 (Table 204 in consolidated factors spreadsheet)	£89,893.63

Step 3 – Calculation of Remediable Cash Equivalent Value (RCEV)

$$\begin{aligned}
 \text{RCEV} &= \text{Maximum (CEVL, CEVR)} \\
 &= \text{Maximum (£91,353.13, £89,893.63)} \\
 &= £91,353.13
 \end{aligned}$$

The RCEV should be added with the Tranche 1 CEV to be quoted as the total cash equivalent value of the member's benefit from the relevant legacy scheme. The Tranche 3 CEV is to be quoted as the cash equivalent value of the member's benefit from the reformed scheme.

Calculations of the value of shareable rights

Assume the court issues a PSO as follows:

alpha	65.00% share
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In this case, no Premium benefits are to be shared.

As the PSO does not contain an annex which relates to the legacy scheme, Section 3B of the McCloud guidance note applies and no benefits in the remedy period are shareable.

The administrator should proceed in the usual way and consider Tranche 3 benefits only. No further calculations are required in respect of Tranche 2 benefits.

Example 3 – A pensioner member (immediate choice, remedy election known) requests a CEV for divorce purposes; all over/underpayments have been settled; resulting PSO includes a legacy annex

Member data required

Status	Pensioner
Sex	Female
Initial CEV calculation date	1 January 2024
Member's age at initial CEV calculation date	61
Scheme selected for remedy period	Legacy
Ex-spouse's age at initial CEV calculation date	60
Ex-spouse's sex	Male

Data required for remedy calculations

Information on the benefits payable to the member in respect of the remedy period is required. As it is known that the member has elected for legacy scheme benefits, only details of the legacy scheme benefits are required.

Remedy period benefits	
Scheme	Premium
Pension	£3,500.00
Lump sum	n/a
Survivor pension	£1,312.50
Pre 88 GMP	£0.00
Post 88 GMP	£0.00

Calculation of initial CEVs for PSO determination

This member is an immediate choice pensioner who has made an irrevocable McCloud remedy choice and any relevant over/underpayments have been settled. Section 2B of the McCloud guidance note applies.

Step 1 – Calculation of Remediable Cash Equivalent Value (RCEV)

Service period	Scheme	Calculation method	Value (RCEV)
Tranche 2 (Legacy scheme)	Premium	Applying the legacy scheme cash equivalent guidance to the benefits shown above Factors from Table P1CENH1 (Table 303 in consolidated factors spreadsheet)	£75,258.75

The RCEV should be added with the Tranche 1 CEV to be quoted as the total cash equivalent value of the member's benefit from the relevant legacy scheme. The Tranche 3 CEV is to be quoted as the cash equivalent value of the member's benefit from the reformed scheme.

Calculations of the value of shareable rights

Assume the court issues a PSO as follows:

Premium	65.00% share
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As the PSO contains an annex which relates to the legacy scheme, Section 3A of the McCloud guidance note applies.

Step 1 – Calculation of Recalculated Remediable Cash Equivalent Value (RRCEV)

The administrator should re-calculate the member's pension benefits and CEV for each tranche of benefits at the transfer day. For the purpose of this example, we have assumed the same CEV figures as calculated above; in practice, the re-calculations will not result in the same figures as quoted to the court for PSO determination.

$$\text{RRCEV} = £75,258.75$$

Step 2 – Calculation of Remediable Ex-partner Cash Equivalent Value (RPCEV)

$$\begin{aligned} \text{RPCEV} &= \text{RCEV} \times \text{legacy scheme PSO\%} \\ &= £75,258.75 \times 65.00\% \\ &= £48,918.19 \end{aligned}$$

This should be combined with the recalculated CEV for Tranche 1 as the total CEV for the legacy scheme, and the recalculated CEV for Tranche 3 is the total CEV for the reformed scheme.

Calculation of the pension credit

Step 1 – Calculation of the remediable pension credit

This should be calculated using the RPCEV set out above.

Service period	Payable from	Calculation method	Ex-partner pension credit amounts
Tranche 2 (legacy scheme)	Premium	Applying the legacy scheme pension credit guidance The Normal Pension Age for the ex-spouse is 60 Factors from Table P1PCCP1 (Table 306 in consolidated factors spreadsheet)	Pension of £2,306.37 p.a.

This should be combined with the pension credit for Tranche 1 as the total pension credit in the legacy scheme.

Calculation of the pension debit

As this member has made an irrevocable McCloud remedy choice by the PSO valuation day, Section 5B of the prospective divorce McCloud guidance applies.

One pension debit calculation should be carried out for Tranche 2:

Service period	Pension debit amounts
Tranche 2	Based on benefits shown above 'Accrued in legacy scheme' - Member's pension debit = 65.00% x £3,500.00 = £2,275.00 p.a. - Survivor pension debit = 65.00% x £1,312.50 = £853.13 p.a.

The debit calculation in respect of the remediable service should be recorded on the administration system and revaluation should apply as usual. A pension debit in respect of Tranche 1 should be calculated as normal.