



Government
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Department

Northern Ireland Civil Service Pension Scheme

Guidance for applying McCloud remedy to benefits
arising from member voluntary contributions (MVCs)

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Government Actuary's Department

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Contents

1.	Introduction	3
2.	Calculation of equivalent legacy scheme AP for 2015 scheme MVCs.....	6
3.	Calculation of equivalent 2015 scheme AP for legacy scheme AP.....	8
	Appendix – Guidance and factors applicable in remedy period	10

1. Introduction

- 1.1 This guidance is addressed to the Northern Ireland Department of Finance (DoF NI) as scheme manager of the Northern Ireland Civil Service Pension Scheme (NICSPS or 'the Scheme'). The Scheme includes the Classic, Classic Plus, Premium and Nuvos sections (the legacy schemes) and alpha (the 2015 scheme).
- 1.2 This guidance has been prepared for use by the scheme administrator for the purposes of adjusting remediable benefits arising from member voluntary contributions (MVCs) paid into the Scheme. Member voluntary contributions may have been paid towards:
 - 1.2.1 Added pension (AP) benefits
 - 1.2.2 Effective Pension Age (EPA) rights
- 1.3 The contributions paid towards these benefits are collectively referred to in this guidance as MVCs.
- 1.4 Remediable MVCs are those paid by members in scope of the McCloud remedy where the contract for the MVCs commenced in the McCloud remedy period of 1 April 2015 to 31 March 2022. For EPA contracts, this only include amounts paid in the 1 April 2015 to 31 March 2022 remedy period.
- 1.5 Depending on the type of MVCs, the McCloud remedy regulations may:
 - automatically vary the member's 2015 scheme remediable MVC rights to the equivalent AP in the relevant legacy scheme;
 - enable the member to opt for their 2015 scheme remediable MVC rights to be varied; or
 - enable the member to receive compensation.
- 1.6 This guidance sets out the adjustment calculations required where the value of the rights in the alternative scheme need to be determined.
- 1.7 Where compensation of the MVCs is to be paid by the Scheme, this should amount to the total of all relevant remediable voluntary contributions paid by the member, less an amount in respect of the value of tax relief in accordance with the relevant paragraphs of Direction 5 of The Public Service Pensions (Exercise of Powers, Compensation and Information) Directions (Northern Ireland) 2023¹, with interest applied in line with relevant paragraphs of Directions 14 and 15.
- 1.8 This guidance does not set out the action that may need to be taken should additional benefits calculated using this guidance result in a breach of other scheme rules such as limits on AP. This should be considered with the scheme manager where a breach arises.

¹<https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/The-Public-Service-Pensions-Exercise-of-Powers-Compensation-and-Information-Directions-Northern-Ireland-2023.PDF>

- 1.9 This note has been prepared in accordance with the following Regulations of SR 2023/141 (the Remediable Service Regulations):

Administrative procedure	Regulation(s)	Relevant section of this document
Calculating and/or varying remediable MVCs in 2015 scheme to AP in the legacy scheme		
<i>Added pension</i>	27(2), 28(4)	2
<i>EPA</i>	30(2)(a)	2
Calculating and/or varying remediable AP in legacy scheme to AP in 2015 scheme	27(2), 27(6), 29(2)	3

- 1.10 The guidance provided in this document has been prepared in light of our advice to DoF NI dated 27 September 2023 and its instructions following that advice.
- 1.11 The effective dates of the adjustment calculations should be based on the effective date used for the original calculations. Any converted benefit should be adjusted thereafter in line with the relevant scheme's rules, for example to reflect early or late retirement factors at the retirement date or to allow for revaluation.
- 1.12 Where reference in this guidance is made to calculating benefits arising from remediable MVCs, unless specified otherwise, calculations should be undertaken using the relevant guidance and factors effective at the original date of calculation. A summary of the historic guidance and factors is set out in the Appendix.

Exclusions

- 1.13 This guidance only applies for members of the Scheme who have remediable MVCs that fall under the scope of the McCloud remedy, and any subsequent reference to member is limited to this group. To be in scope of the McCloud remedy, a member must have remediable service as defined by Section 1 of the Public Service Pensions and Judicial Offices Act 2022.
- 1.14 Nothing in this guidance should be read as overriding the regulations which govern the Scheme.
- 1.15 Furthermore, although a member may fall under the scope of the McCloud remedy, the Remediable Service Regulations may exclude specific MVCs from the remedy. Examples of such exclusions are MVCs where the contract began before 1 April 2015 or after 31 March 2022.

Implementation

- 1.16 This guidance should be used with effect from 1 October 2023.
- 1.17 This guidance has been written for the scheme manager and scheme administrator, and assumes knowledge of general pension terminology and familiarity with retirement

calculations for the Scheme. Any questions concerning the application of the guidance should, in the first instance, be referred to the scheme manager.

- 1.18 In line with best practice and in order to ensure that factors are being used as intended and the instructions are fit for purpose, we suggest that some example calculations are sent to GAD for review.

Compliance and limitations

- 1.19 This guidance has been prepared for use by DoF NI and the scheme administrator for the purpose of applying the McCloud remedy to benefits arising from remediable MVCs. This guidance may be published on DoF NI and the scheme administrator's website but must not otherwise be reproduced, distributed or communicated in whole or in part to any other person without GAD's prior written permission.
- 1.20 Other than DoF NI and the scheme administrator, no person or third party is entitled to place any reliance on the contents of this guidance, 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 this guidance, whether or not GAD has agreed to the disclosure of its advice to the third party.
- 1.21 If any cases arise which do not fall under the standard approach set out in this guidance, they should be referred to the scheme manager in the first instance.
- 1.22 This guidance has been carried out 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.

2. Calculation of equivalent legacy scheme AP for 2015 scheme MVCs

- 2.1 The following section sets out the calculation of the equivalent legacy scheme AP to be offered on account of remediable MVCs originally paid into the 2015 scheme.

Method

- 2.2 The equivalent legacy scheme AP should be calculated in line with the paragraphs set out below. This calculation should be repeated for each MVC contract.

Calculation of equivalent legacy scheme AP

Legacy scheme AP in scheme year = Remediable MVCs paid in that scheme year in respect of contract ÷ (legacy scheme contribution factor × legacy scheme revaluation factor)

- 2.3 The calculation should be repeated for every scheme year in which remediable MVCs were paid based on the effective date used for the original calculations. The legacy scheme AP should be adjusted thereafter in line with the Scheme's rules for AP, for example to allow for revaluation.
- 2.4 The legacy scheme AP contribution and revaluation factors should be the factors effective as at the date used for the original calculations, allowing for the same variables as applied in the original calculations, as specified in paragraph 2.10.
- 2.5 2015 scheme MVCs should be converted to a member only or member and spouse legacy AP depending on the remediable MVC being converted:
- Conversion of 2015 scheme AP to Classic, Classic Plus or Premium AP: the equivalent legacy scheme AP should be based on member and spouse AP benefits.
 - Conversion of 2015 scheme AP to Nuvos AP: the equivalent legacy scheme AP should be based on member only AP benefits or member and spouse AP benefits in line with the original AP purchase.
 - Conversion of 2015 scheme EPA to any legacy scheme AP: the equivalent legacy scheme AP should be based on member and spouse AP benefits unless otherwise requested.
- 2.6 The legacy scheme guidance and factors are set out in the Appendix.
- 2.7 Where the original MVCs provided 2015 scheme AP, records of the member's original 2015 scheme AP should be retained, to facilitate any future 2015 scheme election.

Specific considerations

- 2.8 Where compensation is paid, or has been agreed to be paid, to the member in respect of the contributions the member had paid for the 2015 scheme remediable MVCs, those contributions should be excluded from the calculations.

- 2.9 Annual allowance provisions will need to be considered where EPA contributions are converted to legacy scheme AP. Annual allowance considerations are not covered in this note.

Information required

- 2.10 The calculation of equivalent legacy scheme AP will require the following information:

- Relevant legacy scheme
- Member's Normal Pension Age in the relevant legacy scheme
- Total remediable MVCs paid by the member in respect of each contract for each relevant scheme year
- The following variables which should be in line with those used for the original calculation:
 - The member's age at the start of the relevant scheme year
 - Lump sum or periodical factors;
 - Number of 1 Aprils between calculation date up to and including NPA
- Whether Member only AP or member and spouse AP should be purchased in the legacy scheme, as set out in paragraph 2.5.

3. Calculation of equivalent 2015 scheme AP for legacy scheme AP

- 3.1 There are two approaches for determining the 2015 scheme AP on election, depending on whether the remediable legacy scheme AP arose as a result of rollback of 2015 scheme AP or it was originally purchased in the legacy scheme.

AP in legacy scheme arising from rollback of 2015 scheme AP

- 3.2 Where the remediable legacy scheme AP arose as a result of rollback of remediable 2015 scheme AP, the 2015 scheme AP on election should be determined by reinstating the originally calculated 2015 scheme AP.

Calculation of equivalent 2015 scheme AP where legacy scheme AP arose from a rollback of 2015 scheme AP

2015 scheme AP = *Originally calculated 2015 scheme AP*

- 3.3 The calculation should be repeated for each remediable AP contract that was purchased. The 2015 scheme AP should be adjusted thereafter in line with the Scheme's rules for AP, for example to allow for revaluation.

Original AP was purchased in the legacy scheme

- 3.4 This section applies where the remediable legacy scheme AP was originally purchased as AP in the legacy scheme. This calculation should be repeated for each MVC contract.

Calculation of equivalent 2015 scheme AP where AP was originally purchased in the legacy scheme

2015 scheme AP in scheme year = Remediable MVCs paid in that scheme year in respect of contract ÷ (2015 scheme contribution factor × 2015 scheme revaluation factor)

- 3.5 The calculation should be repeated for every scheme year in which remediable MVCs were paid based on the effective date used for the original calculations. The 2015 scheme AP should be adjusted thereafter in line with the Scheme's rules for AP, for example to allow for revaluation.
- 3.6 The 2015 scheme AP contribution and revaluation factors should be the factors effective as at the date used for the original calculations, allowing for the same variables as applied in the original calculations, as specified in paragraph 3.8.
- 3.7 The equivalent 2015 scheme AP should be based on member and spouse AP benefits or member-only AP benefits in line with the original AP purchase.

Information required

3.8 The calculation of equivalent 2015 scheme AP will require the following information:

- Member's age at start of each relevant scheme year
- Member's Normal Pension Age in the 2015 scheme
- Total remediable MVCs paid by the member in respect of each contract for each relevant scheme year
- The following variables which should be in line with those used for the original calculation:
 - The member's age at the start of the relevant scheme year
 - Lump sum or periodical factors
 - Number of 1 Aprils between calculation date up to and including NPA
 - Member only or member and spouse AP benefits

Appendix – Guidance and factors applicable in remedy period

Added pension

GAD note	Issued on	Effective from
<u>Legacy schemes</u>		
Principal Civil Service Pension Scheme Northern Ireland Factors for Added Pension for classic, classic plus, premium and nuvos members	9 April 2015	1 April 2015
Principal Civil Service Pension Scheme Northern Ireland Added Pension for classic, classic plus, premium and nuvos members Factors and guidance	16 June 2016	16 June 2016
Principal Civil Service Pension Scheme Northern Ireland Added Pension for classic, classic plus, premium and nuvos members Factors and guidance	1 August 2019	1 April 2019
<u>2015 scheme</u>		
Public Service (Civil Servants and Others) Pension Scheme (Northern Ireland) (Alpha Scheme) Factors for Added Pension	9 April 2015	1 April 2015
Principal Civil Service Pension Scheme Northern Ireland Added Pension for classic, classic plus, premium and nuvos members Factors and guidance	16 June 2016	16 June 2016
Public Service (Civil Servants and Others) Pension Scheme (Northern Ireland) (Alpha Scheme) Added Pension for members of the alpha scheme Factors and guidance	1 August 2019	1 April 2019

EPA

GAD note	Issued on	Effective from
<u>2015 scheme</u>		
Civil Servants and Others Pension Scheme (Northern Ireland) Effective Pension Age (EPA) option for alpha members Contribution rates, 'headroom' calculation factors and guidance	9 April 2015	1 April 2015
Civil Servants and Others Pension Scheme (Northern Ireland) Effective Pension Age (EPA) option for alpha members Contribution rates, 'headroom' calculation factors and guidance	1 August 2019	1 April 2019