Government Actuary's Department

Northern Ireland Civil Service Pension Scheme

McCloud guidance examples – applying McCloud remedy to benefits arising from member voluntary contributions (MVCs)

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 benefits arising from member voluntary contributions (MVCs)* guidance note, dated 21 June 2024 (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 benefits arising from member voluntary contributions (MVCs) depend on calculating benefits arising from MVCs in the legacy schemes and the reformed scheme. Guidance and examples on these calculations are set out in relevant guidance notes for those schemes, as referenced in the *McCloud guidance note*.

This document includes:

- Example 1 – Member bought Added Pension (AP) (Member and spouse) in alpha via periodical contributions, convert to AP (Member and spouse) in Classic on rollback
- Example 2 – Member bought AP (Self only) in alpha via periodical contributions, convert to AP (Member and spouse) in Classic plus on rollback
- Example 3 – Member bought AP (Self only) in Nuvos via lump sum, convert to AP in alpha (Self only) on election
- Example 4 – Member paid Effective Pension Age (EPA) contributions, convert to AP (Member and spouse) in Premium

Compliance and limitations

These examples have been prepared for use by the scheme manager and scheme administrator of the Northern Ireland Civil Service Pension Scheme (the Scheme) for the purpose of applying the McCloud remedy to benefits arising from member voluntary contributions. 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.

Louise Harker FFA
5 December 2024
Government Actuary's Department

Example 1 – Member bought Added Pension (AP) (Member and spouse) in alpha via periodical contributions, convert to AP (Member and spouse) in Classic on rollback

In this example, the member purchased AP in alpha in 2015/16 and 2016/17.

Data from original calculations

Scheme year	**2015/16**	**2016/17**
Age last birthday	35	36
Sex	Male	Male
Calculation date	1 April 2015	1 April 2016
Original scheme	alpha	alpha
Type of AP purchased	Member and spouse via periodical contributions	Member and spouse via periodical contributions
Total contributions paid in scheme year	£2,400.00	£2,400.00
Original AP purchased in scheme year	£294.81	£288.43

Data required for remedy calculations

Information relating to the member’s benefits in the alternative scheme are required.

Scheme year	**2015/16**	**2016/17**
Alternative scheme	Classic	Classic
Normal Pension Age	60	60
Type of AP required	Member and spouse via periodical contributions	Member and spouse via periodical contributions

Factors required

The following table sets out the factors that should be applied to determine the equivalent AP in the alternative scheme. These are based on the factors effective at the original calculation date. Further information on the relevant factors to adopt are set out in the referenced guidance notes.

Scheme year	**2015/16**	**2016/17**
Scheme	Classic	Classic
Factor guidance note	Factors for Added Pension for classic, classic plus, premium and nuvos members, dated 9 April 2015	Factors for Added Pension for classic, classic plus, premium and nuvos members, dated 9 April 2015
Factor table	P1APPCCL1	P1APPCCL1
Regular contribution factor	7.723	8.083
Number of 1 Aprils up to NPA	25	24
Revaluation factor	1.64	1.61

AP under the alternative scheme

The AP must be calculated as if it was purchased in the alternative scheme:

$$\boldsymbol{Equivalent\ 2015/16\ AP\ in}\ \text{Classic} = \frac{£2{,}400.00}{7.723 \times 1.64}$$

= £189.49

$$\boldsymbol{Equivalent\ 2016/17\ AP\ in}\ \text{Classic} = \frac{£2{,}400.00}{8.083 \times 1.61}$$

= £184.42

These amounts should be adjusted in line with the relevant scheme's rules, for example to reflect early or late retirement factors at the retirement date and/or to allow for revaluation.

A Classic member, in addition to their added pension at retirement, is entitled to a lump sum equal to 3 times the added pension at retirement (before commutation, allocation or inverse commutation).

Example 2 – Member bought AP (Self only) in alpha via periodical contributions, convert to AP (Member and spouse) in Classic plus on rollback

In this example, the member purchased AP in alpha in 2021/22.

Data from original calculations

Scheme year	2021/22
Age last birthday	36
Sex	Male
Calculation date	1 April 2021
Original scheme	alpha
Type of AP purchased	Self only via periodical contributions
Total contributions paid in scheme year	£3,000.00
Original AP purchased in scheme year	£332.45

Data required for remedy calculations

Information relating to the member’s benefits in the alternative scheme are required:

Alternative scheme	Classic plus
Normal Pension Age	60
Type of AP required	Member and spouse via periodical contributions

In this case, although Self only benefits were purchased in alpha, only Member and spouse AP can be purchased in Classic plus.

Factors required

The following table sets out the factors should be applied to determine the equivalent AP in the alternative scheme. These are based on the factors effective at the original calculation date. Further information on the relevant factors to adopt are set out in the referenced guidance note.

Scheme year	2021/22
Scheme	Classic plus
Factor guidance note	Added Pension for classic, classic plus, premium and nuvos members - Factors and guidance, dated 1 August 2019
Factor table	P1APPCCP1
Regular contribution factor	8.16
Number of 1 Aprils up to NPA	24
Revaluation factor	1.61

AP under the alternative scheme

The AP must be calculated as if it was purchased in the alternative scheme:

$$\boldsymbol{Equivalent\ 2021/22\ AP\ in}\ \text{Classic plus} = \frac{£3{,}000.00}{8.16 \times 1.61}$$

= £228.35

This amount should be adjusted in line with the relevant scheme's rules, for example to reflect early or late retirement factors at the retirement date and/or to allow for revaluation.

Example 3 – Member bought AP (Self only) in Nuvos via lump sum, convert to AP in alpha (Self only) on election

In this example, the member paid AP contributions via lump sum on **1 September 2015**.

Data from original calculations

Scheme year	2015/16
Age last birthday	55
Sex	Male
Calculation date	1 September 2015
Original scheme	Nuvos
Type of AP purchased	Self only via lump sum contribution
Amount of lump sum contribution	£1,000.00
Original AP purchased in scheme year	£80.52

Data required for remedy calculations

Information relating to the member's benefits in the alternative scheme are required:

Alternative scheme	alpha
Normal Pension Age	66
Type of AP required	Self only via lump sum contribution

Factors required

The following table sets out the factors that should be applied to determine the equivalent AP in the alternative scheme. These are based on the factors effective at the original calculation date. Further information on the relevant factors to adopt are set out in the referenced guidance note.

Scheme	alpha
Factor guidance note	Factors for Added Pension (Alpha Scheme), dated 9 April 2015
Factor table	P2APLS66
Lump sum factor	9.627
Number of 1 Aprils up to NPA	10
Revaluation factor	1.22

AP under the alternative scheme

The AP must be calculated as if it was purchased in the alternative scheme:

$$\boldsymbol{Equivalent\ AP\ in}\ \text{alpha} = \frac{£1{,}000.00}{9.627 \times 1.22}$$

= £85.14

This amount should be adjusted in line with the relevant scheme's rules, for example to reflect early or late retirement factors at the retirement date and/or to allow for revaluation.

Example 4 – Member paid Effective Pension Age (EPA) contributions, convert to AP (Member and spouse) in Premium

In this example, the member paid EPA contributions in 2017/18 and 2018/19.

Member data

Scheme year	**2017/18**	**2018/19**
Age last birthday	46	47
Sex	Male	Male
Calculation date	1 April 2017	1 April 2018
Original scheme	alpha	alpha
Total contributions paid in scheme year	£300.00	£350.00

Data required for remedy calculations

Information relating to the member's AP benefits in the alternative scheme required:

Scheme year	**2017/18**	**2018/19**
Alternative scheme	Premium	Premium
Normal Pension Age	60	60
Type of AP required	Member and spouse via periodical contributions	Member and spouse via periodical contributions

Factors required

The following table sets out the factors that should be applied to determine the equivalent AP in the alternative scheme. These are based on the factors effective at the original calculation date. Further information on the relevant factors to adopt are set out in the referenced guidance notes.

Scheme year	**2017/18**	**2018/19**
Scheme	Premium	Premium
Factor guidance note	Addendum to GAD guidance note "PCSPS(NI): Factors for Added Pension for classic, classic plus, premium and nuvos members" dated 9 April 2015, dated 16 June 2016	Addendum to GAD guidance note "PCSPS(NI): Factors for Added Pension for classic, classic plus, premium and nuvos members" dated 9 April 2015, dated 16 June 2016
Factor table	P1APPCCL1	P1APPCCL1
Regular contribution factor	11.11	11.62
Number of 1 Aprils up to NPA	13	12
Revaluation factor	1.29	1.27

AP under the alternative scheme

The AP must be calculated as if it was purchased in the alternative scheme, reflecting the contributions that were paid by the member towards EPA:

$$\boldsymbol{Equivalent\ 2017/18\ AP\ in}\ \text{Premium} = \frac{£300.00}{11.11 \times 1.29}$$

= £20.93

$$\boldsymbol{Equivalent\ 2018/19\ AP\ in}\ \text{Premium} = \frac{£350.00}{11.62 \times 1.27}$$

= £23.72

These amounts should be adjusted in line with the relevant scheme's rules, for example to reflect early or late retirement factors at the retirement date and/or to allow for revaluation.