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Firefighter's Pension Scheme (Scotland)

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

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Introduction

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 non-Club and cross-border transfers out* guidance note, dated 31 January 2025 (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 non-Club transfers out depend on calculating non-Club transfers out from the legacy schemes and the reformed scheme. Guidance and examples on these calculations are set out in non-Club transfers out guidance notes for those schemes, as referenced in the *McCloud guidance note*.

Compliance and limitations

These examples have been prepared for use by the scheme manager and scheme administrator of the Firefighter's Pension Scheme (Scotland) (the Scheme) for the purpose of applying the McCloud remedy to non-Club transfers out paid by the Scheme. They were commissioned by the Scottish Public Pensions Agency (SPPA) as the responsible authority and were prepared by GAD in our role advising the responsible authority for the Scheme.

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

Other than SPPA, 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 – Pre-1 October 2023 CETV, all transferred benefits were 1992 Scheme benefits

Data from original calculations

Age last birthday	57
Sex	Male
Calculation date	1 December 2019
Legacy scheme	1992 Scheme
Amount of deferred pension	£5,600.00
Amount of deferred survivor pension	£2,800.00
Amount of lump sum	£0.00
Amount of NI modification	£0.00
Original CETV calculated	£107,184.00

Data required for remedy calculations

The benefit amounts and original CETV calculation shown above are in respect of all of the member's transferred benefits. 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	1992 Scheme	2015 Scheme
Normal Pension Age	60	67
Deferred pension	£2,400.00 P ^L	£2,300.00 P ^R
Deferred survivor pension	£1,200.00 S ^L	£1,150.00 S ^R
Deferred lump sum	£0.00 LS ^L	n/a
NI modification	£0.00 NI ^L	n/a
Contribution Adjustment¹	£0.00 ContadjL	£1,800.00 ContadjR

¹ See paragraph 2.19 of the McCloud guidance note, which sets out how these adjustments should be calculated.

In addition, information on the actual benefit amounts accrued in the remedy period in each scheme, as allowed for in the original calculations, is required. In this case the actual benefits accrued in the remedy period are equal to the 'legacy scheme' benefits above.

Factors required

The following table sets out the factors that would apply to the CETV calculation if it were to be calculated under the legacy scheme and the reformed scheme respectively. 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.

	Legacy scheme	Reformed scheme
Scheme	1992 Scheme	2015 Scheme
Factor guidance note	1992 - Statutory Cash Equivalent Transfer Values and Club Transfers Out - Factors and Guidance, dated 3 May 2020	2015 - Individual Cash Equivalent Transfers - Factors and Guidance, dated 30 January 2020
Factor table	Table A1	Table 7
Member's pension factor	17.53 $F^P_{L_{60}}$	11.71 $F^P_{R_{67}}$
Partner's pension factor	3.22 $F^S_{L_{60}}$	3.55 $F^S_{R_{67}}$
Lump sum factor	n/a	n/a
NI modification factor	n/a	n/a

Remediable transfer value under the relevant legacy scheme

The contribution adjustment required should the member choose the legacy scheme, as calculated using the "McCloud tax and contributions calculator", is assumed to be as follows:

Legacy Scheme contribution adjustments ($contadjL$) = £0.00

The CETV value of the member's remediable rights must be calculated as if they were secured in the member's relevant legacy scheme:

Legacy scheme transfer value ($CETV_L$) =

$$= P^L \times F^P_{L_{60}} + S^L \times F^S_{L_{60}} + LSL \times F^{LS}_{L_{60}}$$

$$= £2,400.00 \times 17.53 + £1,200.00 \times 3.22 + £0.00 \times 0.00$$

$$= £45,936.00$$

Remediable transfer value under the reformed scheme

The contribution adjustment required should the member choose the reformed scheme, as calculated using the "McCloud tax and contributions calculator", is assumed to be as follows:

Reformed Scheme contribution adjustments (contadjR) = £1,800.00 (i.e. the Scheme owes the member)

The CETV value of the member's remediable rights must be calculated as if they were secured in the reformed scheme:

2015 Scheme transfer value (CETV_R) =

$$= P^R \times F_{P_R_67}^P + S^R \times F_{S_R_67}^S$$

$$= £2,300.00 \times 11.71 + £1,150.00 \times 3.55$$

$$= £31,015.50$$

Value of remediable transfer value paid (CETV_Paid)

The remediable transfer value paid needs to be calculated, i.e. the part of the transfer value paid which relates to benefits accrued in the remedy period.

All of the member's remedy period benefits were accrued in the legacy scheme. Therefore, the remediable transfer value paid is equal to the Remediable transfer value under the relevant legacy scheme as calculated above, i.e. £45,936.00.

Remediable amount

The higher of the remediable transfer value under the legacy scheme and the remediable transfer value under the 2015 Scheme, after allowing for any member contribution adjustment, is compared to the value of the remediable transfer value paid to determine whether any additional payment is due, i.e.

$$\text{Remediable amount} = \text{Maximum (CETV_L + contadjL, CETV_R + contadjR)} - \text{CETV_Paid}$$

$$= \text{Maximum (£45,936.00 + £0.00, £31,015.50 + £1,800.00)} - £45,936.00$$

$$= £0.00$$

This amount is calculated as at 1 December 2019. The relevant legislation sets out what the administrator must do with this additional CETV (including the application of interest as appropriate).

Example 2 – Pre-1 October 2023 CETV, transferred remedy period benefits included a mix of 2006 Scheme (Standard) and 2015 Scheme benefits

Data from original calculations

Age last birthday	50
Sex	Female
Calculation date	1 January 2020
Legacy scheme	2006 Scheme (Standard)
Reformed scheme	2015 Scheme
Amount of deferred pension (legacy)	£8,000.00
Amount of deferred survivor pension (legacy)	£4,000.00
Amount of lump sum (legacy)	£0.00
Amount of NI modification (legacy)	£0.00
Amount of deferred pension (reformed)	£1,500.00
Amount of deferred survivor pension (reformed)	£750.00
Original CETV calculated	£120,860.00

Data required for remedy calculations

The benefit amounts and original CETV calculated shown above are in respect of all of the member's transferred benefits. 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	2006 Scheme (Standard)	2015 Scheme
Normal Pension Age	65	67
Deferred pension	£2,500.00 P^L	£2,500.00 P^R
Deferred survivor pension	£1,250.00 S^L	£1,250.00 S^R
Deferred lump sum	£0.00 LS^L	n/a
NI modification	£0.00 NI^L	n/a
Pensionable pay	£30,000.00 PP^L	£30,000.00 PP^R
Contribution Adjustment	£2,300.00	-£1,500.00

In addition, information on the actual benefit amounts accrued in the remedy period in each scheme, as allowed for in the original calculations, is required:

Actual benefits earned in remedy period	2006 Scheme (Standard)	2015 Scheme
Deferred pension	£1,000.00 P^{Actual_L}	£1,500.00 P^{Actual_R}
Deferred survivor pension	£500.00 S^{Actual_L}	£750.00 S^{Actual_R}
Deferred lump sum	£0.00 LS^{Actual_L}	n/a
NI modification	£0.00	n/a

Factors required

The following table sets out the factors that would apply to the CETV calculation if it were to be calculated under the legacy scheme and the reformed scheme respectively. 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.

	Legacy scheme	Reformed scheme
Scheme	2006 Scheme (Standard)	2015 Scheme
Factor guidance note	2006 - Individual Cash Equivalent Transfers - Factors and Guidance, dated 3 May 2020	2015 - Individual Cash Equivalent Transfers - Factors and Guidance, dated 30 January 2020
Factor table	Table A2	Table 8
Member's pension factor	11.33 $F^{P_L}_{65}$	10.03 $F^{P_R}_{67}$
Partner's pension factor	3.19 $F^{S_L}_{65}$	3.22 $F^{S_R}_{67}$
Lump sum factor	0.00 $F^{LS_L}_{65}$	n/a
NI modification factor	n/a	n/a

Remediable transfer value under the relevant legacy scheme

The contribution adjustment required should the member choose the legacy scheme, as calculated using the "McCloud tax and contributions calculator", is assumed to be as follows:

Legacy Scheme contribution adjustments (contadjL) = £2,300.00 (i.e. the Scheme owes the member)

The CETV value of the member's remediable rights must be calculated as if they were secured in the member's relevant legacy scheme:

Legacy scheme transfer value (CETV_L) =

$$= P^L \times F^{P_L}_{65} + S^L \times F^{S_L}_{65} + LS^L \times F^{LS_L}_{65}$$

$$= £2,500.00 \times 11.33 + £1,250.00 \times 3.19 + £0.00 \times 0.00$$

$$= £32,312.50$$

Remediable transfer value under the reformed scheme

The contribution adjustment required should the member choose the reformed scheme, as calculated using the "McCloud tax and contributions calculator", is assumed to be as follows:

Reformed Scheme contribution adjustments (contadjR) = - £1,500.00 (i.e. the member owes the Scheme)

The CETV value of the member's remediable rights must be calculated as if they were secured in the reformed scheme:

2015 Scheme transfer value (CETV_R) =

$$= P^R \times F^{P_R_67} + S^R \times F^{S_R_67}$$

$$= £2,500.00 \times 10.03 + £1,250.00 \times 3.22$$

$$= £29,100.00$$

Value of remediable transfer value paid

The remediable transfer value paid needs to be calculated, i.e. the part of the transfer value paid which relates to benefits accrued in the remedy period.

The member had both 2006 Scheme (Standard) and 2015 Scheme benefits in the remedy period. Therefore, the remediable transfer value paid needs to be calculated allowing for the part of the remedy period in relation to legacy scheme benefits and the part of the remedy period in relation to reformed scheme benefits as follows.

Portion of remediable transfer value paid (legacy) =

$$= P^{Actual_L} \times F^{P_L_65} + S^{Actual_L} \times F^{S_L_65} + LS^{Actual_L} \times F^{LS_L_65} + PP^{Actual_L} \times F^{C_L_2006}$$

$$= £1,000.00 \times 11.33 + £500.00 \times 3.19 + £0.00 \times 0.00$$

$$= £12,925.00$$

Portion of remediable transfer value paid (reformed) =

$$= P^{Actual_R} \times F^{P_R_67} + S^{Actual_R} \times F^{S_R_67} + PP^{Actual_R} \times F^{C_R_2015}$$

$$= £1,500.00 \times 10.03 + £750.00 \times 3.22$$

$$= £17,460.00$$

Total remediable transfer value paid (CETV_Paid) =

$$= £12,925.00 + £17,460.00$$

$$= £30,385.00$$

Remediable amount

The higher of the remediable transfer value under the legacy scheme and the remediable transfer value under the 2015 Scheme, after allowing for any member contribution adjustment, is compared to the value of the remediable transfer value paid to determine whether any additional payment is due, i.e.

$$\begin{aligned}\text{Remediable amount} &= \text{Maximum (CETV_L + contadjL, CETV_R + contadjR)} - \text{CETV_Paid} \\ &= \text{Maximum (£32,312.50 + £2,300.00, £29,100.00 - £1,500.00)} - £30,385.00 \\ &= £4,227.50\end{aligned}$$

This amount is calculated as at 1 January 2020. The relevant legislation sets out what the administrator must do with this additional CETV (including the application of interest as appropriate).

Example 3 – Pre-1 October 2023 CETV, all transferred remedy period benefits were 2015 Scheme benefits, alternative scheme is 2006 Scheme (Standard)

Data from original calculations

Age last birthday	46
Sex	Male
Calculation date	30 November 2018
Amount of deferred pension – 2006 Scheme (Standard)	£7,200.00
Amount of deferred survivor pension – 2006 Scheme (Standard)	£3,600.00
Amount of deferred lump sum – 2006 Scheme (Standard)	£0.00
Amount of deferred pension – 2015 Scheme	£7,000.00
Amount of deferred survivor pension – 2015 Scheme	£3,500.00
Total amount of deferred pension	£14,200.00
Total amount of deferred survivor pension	£7,100.00
Original CETV calculated	£160,611.00

Data required for remedy calculations

The benefit amounts and original CETV calculated shown above are in respect of all of the member's transferred benefits. 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	2006 Scheme (Standard)	2015 Scheme
Normal Pension Age	65	67
Deferred pension	£7,200.00 P ^L	£7,000.00 P ^R
Deferred survivor pension	£3,600.00 S ^L	£3,500.00 S ^R
Deferred lump sum	£0.00 LS ^L	n/a
NI modification	£0.00	n/a
Pensionable pay	£20,000.00 PP ^L	£20,000.00 PP ^R
Contribution Adjustment	£2,200.00 contadjL	£0.00 contadjR

In addition, information on the actual benefit amounts accrued in the remedy period in each scheme, as allowed for in the original calculations, is required. In this case the actual benefits accrued in the remedy period are equal to the 'reformed scheme' benefits above.

Factors required

The following table sets out the factors that would apply to the CETV calculation if it were to be calculated under the legacy scheme and the reformed scheme respectively. 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.

	Legacy scheme	Reformed scheme
Scheme	2006 Scheme (Standard)	2015 Scheme
Factor guidance note	2006 - Individual Cash Equivalent Transfers - Factors and Guidance, dated 3 May 2020	2015 - Individual Cash Equivalent Transfers - Factors and Guidance, dated 30 January 2020
Factor table	Table A1	Table 7
Member's pension factor	10.39 $F^P_{L_{65}}$	9.22 $F^P_{R_{67}}$
Partner's pension factor	2.98 $F^S_{L_{65}}$	3.01 $F^S_{R_{67}}$
Lump sum factor	0.00 $F^{LS}_{L_{65}}$	n/a
NI modification factor	n/a	n/a

Remediable transfer value under the relevant legacy scheme

The contribution adjustment required should the member choose the legacy scheme, as calculated using the "McCloud tax and contributions calculator", is assumed to be as follows:

Legacy Scheme contribution adjustments (contadjL) = £2,200.00 (i.e. the Scheme owes the member)

The CETV value of the member's remediable rights must be calculated as if they were secured in the member's relevant legacy scheme:

Legacy scheme transfer value (CETV_L) =

$$= P^L \times F^P_{L_{65}} + S^L \times F^S_{L_{65}} + LS^L \times F^{LS}_{L_{65}}$$

$$= £7,200.00 \times 10.39 + £3,600.00 \times 2.98 + £0.00 \times 0.00$$

$$= £85,536.00$$

Remediable transfer value under the reformed scheme

The contribution adjustment required should the member choose the reformed scheme, as calculated using the "McCloud tax and contributions calculator", is assumed to be as follows:

Reformed Scheme contribution adjustments (contadjR) = £0.00

The CETV value of the member's remediable rights must be calculated as if they were secured in the reformed scheme:

2015 Scheme transfer value (CETV_R) =

$$= P^R \times F_{P_R_67}^P + S^R \times F_{S_R_67}^S$$

$$= £7,000.00 \times 9.22 + £3,500.00 \times 3.01$$

$$= £75,075.00$$

Value of remediable transfer value paid (CETV_Paid)

The remediable transfer value paid needs to be calculated, i.e. the part of the transfer value paid which relates to benefits accrued in the remedy period.

All of the member's remedy period benefits were accrued in 2015 Scheme. Therefore, the remediable transfer value is equal to the Remediable transfer value under the reformed scheme as calculated above, i.e. £75,075.00.

Remediable amount

The higher of the remediable transfer value under the legacy scheme and the remediable transfer value under the 2015 Scheme, after allowing for any member contribution adjustment, is compared to the value of the remediable transfer value paid to determine whether any additional payment is due, i.e.

Remediable amount = Maximum (CETV_L + contadjL, CETV_R + contadjR) – CETV_Paid

$$= \text{Maximum } (£85,536.00 + £2,200.00, £75,075.00 + £0.00) - £75,075.00$$

$$= £12,661.00$$

This amount is calculated as at 30 November 2018. The relevant legislation sets out what the administrator must do with this additional CETV (including the application of interest as appropriate).

Example 4 – Post-1 October 2023 CETV

Member data

Age last birthday	38
Sex	Male
Calculation date	1 April 2024
Relevant legacy scheme	2006 Scheme (Standard)
Reformed scheme	2015 Scheme

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	2006 Scheme (Standard)	2015 Scheme
Normal Pension Age	65	68
Deferred pension	£1,600.00 P ^L	£1,600.00 P ^R
Deferred survivor pension	£800.00 S ^L	£800.00 S ^R
Deferred lump sum	£0.00	n/a
NI modification	£0.00 NI ^L	n/a
Pensionable pay	£26,000.00 PP ^L	£26,000.00 PP ^R
Contribution Adjustment	£0.00 contadjL	- £1,100.00 contadjR

Factors required

The following table sets out the factors that would apply to the CETV calculation if it were to be calculated under the legacy scheme and the reformed scheme respectively. These are based on the factors effective at the calculation date. Further information on the relevant factors to adopt are set out in the referenced guidance notes.

	Legacy scheme	Reformed scheme
Scheme	2006 Scheme (Standard)	2015 Scheme
Factor guidance note	2006 - Individual Cash Equivalent Transfers - Factors and Guidance, dated 3 May 2020	2015 - Individual Cash Equivalent Transfers - Factors and Guidance, dated 30 January 2020
Effective factors (date of issue)	29 March 2023	29 March 2023
Factor table	Table A1 (Table 203 in consolidated factor workbook)	Table 7 (Table 212 in consolidated factor workbook)
Member's pension factor	10.87 $F^{P_L}_{65}$	9.72 $F^{P_R}_{68}$
Partner's pension factor	3.69 $F^{S_L}_{65}$	3.73 $F^{S_R}_{68}$
Lump sum factor	0.00 $F^{LS_L}_{65}$	n/a
NI modification factor	n/a $F^{NI_L}_{65}$	n/a

Remediable transfer value under the relevant legacy scheme

The contribution adjustment required should the member choose the legacy scheme, as calculated using the "McCloud tax and contributions calculator", is assumed to be as follows:

Legacy Scheme contribution adjustments (contadjL) = £0.00

The CETV value of the member's remediable rights must be calculated as if they were secured in the member's relevant legacy scheme:

Legacy scheme transfer value (CETV_L)=

$$= P^L \times F^{P_L}_{65} + S^L \times F^{S_L}_{65} + LS^L \times F^{LS_L}_{65}$$

$$= £1,600.00 \times 10.87 + £800.00 \times 3.69 + £0.00 \times 0.00$$

$$= £20,344.00$$

Remediable transfer value under the reformed scheme

The contribution adjustment required should the member choose the reformed scheme is assumed to be as follows:

Reformed Scheme contribution adjustments (contadjR) = - £1,100.00 (Member owes the Scheme)

The CETV value of the member's remediable rights must be calculated as if they were secured in the reformed scheme:

2015 scheme transfer value (CETV_R) =

$$= P^R \times F^{P_R_68} + S^R \times F^{S_R_68}$$

$$= £1,600.00 \times 9.72 + £800.00 \times 3.73$$

$$= £18,536.00$$

Remedy amount

The CETV in respect of remediable service is calculated as follows:

Higher of remediable transfer values =

$$= \text{Maximum (CETV_L, CETV_R + contadjR)}$$

$$= \text{Max (£20,344.00, £18,536.00 - £1,100.00)} = £20,344.00$$

The higher of the remediable transfer value under the legacy scheme and the remediable transfer value under the 2015 Scheme, after allowing for any reformed scheme member contribution adjustment, should be included in the total transfer value to be paid (alongside the transfer value for benefits accrued before and after the remedy period).