Government Actuary's Department

# NHS Pension Scheme England & Wales

## McCloud guidance examples – applying McCloud remedy to retrospective divorce cases using Retrospective guidance R

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# Contents

# Introduction

These examples have been prepared for use by the scheme administrator to demonstrate the calculations set out in the Pension Sharing on Divorce for remedy members: Transfer day before 1 October 2023 – "Retrospective full guidance R", dated 15 October 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 retrospective 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 Pension Sharing on Divorce for remedy members: Transfer day before 1 October 2023 – "Retrospective full guidance" - Introductory note, dated 15 October 2025.

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.

The examples refer to the following terminology, in line with those set out in the McCloud guidance note:

| For remedial service | | |
|---|---|---|
| | Stands for | Relates to |
| **Init_CEV** | Initial Cash Equivalent Value | PDM |
| **Init_PCEV** | Initial Ex-Partner Cash Equivalent Value | PCM |
| **Alt_CEV** | Alternative Cash Equivalent Value | PDM |
| **Alt_UpayAdj** | Alternative Underpayment Adjustment | PDM (Group 2 only) |
| **Alt_ContAdj** | Alternative Contribution Adjustment | PDM |
| **Alt_PCEV** | Alternative Ex-Partner Cash Equivalent Value | PCM |
| **RCredAdj** | Remediable Credit Adjustment | PCM |

**Compliance and limitations**

These examples have been prepared for use by the scheme manager and scheme administrator of the NHS Pension Scheme England & Wales for the purpose of applying the McCloud remedy to retrospective divorce cases. They were commissioned by the scheme manager, and were prepared by GAD in our role advising the scheme manager on the NHS Pension Scheme England & Wales.

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 – Unprotected member, reformed annex only, no RCredAdj

**The following scenario is considered in this example:**

| | |
|---|---|
| **Status at transfer day:** | **Active** |
| **Protection status:** | **Unprotected** |
| **Contribution adjustment:** | **None required** |
| **PSO received:** | **Reformed annex only** |

**Member data required**

| | |
|---|---|
| **Date of birth** | 1 November 1971 |
| **Sex** | Male |
| **Valuation day** | 30 September 2022 |
| **Transfer day** | 1 October 2021 |
| **Member's age at transfer day** | 49 |
| **Ex-spouse's date of birth** | 1 June 1976 |
| **Ex-spouse's age at transfer day** | 45 |
| **Ex-spouse's sex** | Female |
| **Details of PSO annex** | Reformed annex: 20% |

**Data required for remedy calculations**

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

| Shareable remedy period benefits | If accrued in legacy scheme | If accrued in reformed scheme |
|---|---|---|
| **Scheme** | 1995 Section | 2015 Scheme |
| **Normal pension age** | 60 | 67 |
| **Pension** | £2,600.00 | £4,300.00 |
| **Survivor pension** | £1,300.00 | £1,451.25 |
| **Lump sum** | £7,800.00 | n/a |

Benefit amounts are as at the transfer day.

**Calculations required**

### Step 1 – Calculation of Initial Cash Equivalent Value (Init_CEV)

As the member was an unprotected member, we know the CEV used to implement the PSO for remediable service relates only to 2015 Scheme style benefits. Therefore **Init_CEV** is:

| Service period | Scheme | Calculation method | Value (CEV) |
|---|---|---|---|
| Tranche 2 (up to transfer day) | 2015 Scheme | Reformed scheme guidance<br><br>2015 - Pension sharing following divorce - Factors and Guidance dated 20 December 2019<br><br>Table TV1 (Table 209 in the consolidated factors workbook) from the guidance note '2015 - Non-Club transfers out (CETVs)' dated 8 August 2019 | £51,854.24 |

### Step 2 – Calculation of Initial Ex-Partner Cash Equivalent Value (Init_PCEV)

The value of the shareable rights credited to the PCM which relates to the shareable remediable service only is as follows:

Init_PCEV = Init_CEV x reformed scheme PSO%

= £51,854.24 x 20%

= £10,370.85

### Step 3 – Calculation of Alternative Cash Equivalent Value (Alt_CEV)

Based on the benefits the member would have accrued in the shareable remedy period in the legacy scheme, **Alt_CEV** is as follows:

| Service period | Scheme | Calculation method | Value (CEV) |
|---|---|---|---|
| Tranche 2 (up to transfer day) | 1995 Section | Legacy scheme guidance<br><br>1995, 2008 - Pension sharing following divorce - Factors and Guidance, dated 20 December 2019<br><br>Table TV1 (Table 201 in the consolidated factors workbook) from the guidance note '1995, 2008 - Non-Club transfers out (CETVs)' dated 8 August 2019 | £50,934.00 |

### Step 4 – Calculation of Alternative Contribution Adjustment (Alt_ContAdj)

In this example, no contribution adjustment is required and so Alt_ContAdj is zero.

### Step 5 – Calculation of Alternative Ex-Partner Cash Equivalent Value (Alt_PCEV)

The value of the shareable rights that would have been credited to the PCM if the remedy period benefits were earned in the legacy scheme is as follows:

Alt_PCEV = (Alt_CEV + Alt_ContAdj) x reformed scheme PSO%

= (£50,934.00 + £0.00) x 20%

= £10,186.80

### Step 6 – Calculation of Remediable Credit Adjustment (RCredAdj)

RCredAdj = Maximum (Alt_PCEV – Init_PCEV, 0)

= Maximum (£10,186.80 – £10,370.85, 0)

= £0.00

### Step 7 – Calculation of the remediable pension credit in respect of RCredAdj

As the RCredAdj is zero, no further calculations or adjustments are necessary in respect of the pension credit and the PCM should be presented with the necessary information.

### Step 8 – Re-calculation of member’s pension debit

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

| Service period | Member debit amounts |
|---|---|
| Tranche 2 (up to transfer day)<br><br>(legacy scheme) | • Member’s pension debit<br>= 20% x £2,600.00<br>= **£520.00 p.a.**<br>• Lump sum debit<br>= 20% x £7,800.00<br>= **£1,560.00**<br>• Survivor’s pension debit<br>= 20% x £1,300.00<br>= **£260.00 p.a.** |
| Tranche 2 (up to transfer day)<br><br>(reformed scheme) | • Member’s pension debit<br>= 20% x £4,300.00<br>= **£860.00 p.a.**<br>• Survivor’s pension debit<br>= 20% x £1,451.25<br>= **£290.25 p.a.** |

The pension debits are revalued as usual for each option.

In this example, as no contribution adjustment is required and Alt_ContAdj is zero, no contribution adjustment debit is required.

## Example 2 – Unprotected member, reformed annex only, RCredAdj required

**The following scenario is considered in this example:**

| | |
|---|---|
| **Status at transfer day:** | **Deferred** |
| **Protection status:** | **Unprotected** |
| **Contribution adjustment:** | **None required** |
| **PSO received:** | **Reformed annex only** |

In this example, unlike in Example 1, RCredAdj is determined to be greater than zero.

This example only considers the steps required after having determined a positive RCredAdj. For an example on determining the RCredAdj, please see Example 1.

**Member data required**

| | |
|---|---|
| **Date of birth** | 1 November 1966 |
| **Sex** | Male |
| **Valuation day** | 30 September 2022 |
| **Transfer day** | 1 October 2021 |
| **Member's age at transfer day** | 54 |
| **Ex-spouse's date of birth** | 1 June 1969 |
| **Ex-spouse's age at transfer day** | 52 |
| **Ex-spouse's sex** | Female |
| **Details of PSO annex** | Reformed annex: 20% |

### Data required for remedy calculations

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

| Shareable remedy period benefits | If accrued in legacy scheme | If accrued in reformed scheme |
|---|---|---|
| **Scheme** | 2008 Section<br>(Not a Choice optant) | 2015 Scheme |
| **Normal pension age** | 65 | 67 |
| **Pension** | £600.00 | £600.00 |
| **Survivor pension** | £225.00 | £202.50 |
| **Lump sum** | n/a | n/a |

Benefit amounts are as at the transfer day.

### Calculations required

In this example, **RCredAdj** has been determined to be £199.86.

#### Step 1 – Calculation of the remediable pension credit in respect of RCredAdj

As the RCredAdj is positive, it will need to be converted into an additional pension credit for the PCM. In line with the regulations, the pension credit based on RCredAdj will be transferred into the ex-partner's pension credit account in the reformed scheme, calculated using the relevant reformed scheme guidance and factors in force at the **valuation day**.

The additional pension credit member in respect of RCredAdj is as follows:

| Service period | Scheme | Calculation method | Ex-partner additional pension credit amounts |
|---|---|---|---|
| Tranche 2<br><br>(Reformed scheme basis) | 2015 Scheme | Using RCredAdj as the ex-partner's cash equivalent in applying the reformed scheme pension credit guidance.<br><br>2015 - Pension sharing following divorce - Factors and Guidance dated 20 December 2019<br><br>Table TV1 (Table 209 in the consolidated factors workbook) from the guidance note '2015 - Non-Club transfers out (CETVs)' dated 8 August 2019 | • Pension of **£16.16 p.a.** |

The additional pension credit is revalued from the transfer day as with the original pension credit.

### Step 2 – Re-calculation of member's pension debit

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

| Service period | Member debit amounts |
|---|---|
| Tranche 2 (up to transfer day)<br><br>(legacy scheme) | • Member's pension debit<br>= 20% x £600.00<br>= **£120.00 p.a.**<br>• Survivor's pension debit<br>= 20% x £225.00<br>= **£45.00 p.a.** |
| Tranche 2 (up to transfer day)<br><br>(reformed scheme) | • Member's pension debit<br>= 20% x £600.00<br>= **£120.00 p.a.**<br>• Survivor's pension debit<br>= 20% x £202.50<br>= **£40.50 p.a.** |

The pension debits are revalued as usual for each option.

In this example, as no contribution adjustment is required and Alt_ContAdj is zero, no contribution adjustment debit is required.