



Government
Actuary's
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Health and Social Care Pension Schemes (Northern Ireland)

McCloud guidance examples – applying McCloud
remedy to “set 2” prospective divorce cases

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Government Actuary's Department

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Contents

Introduction	3
Example 1 – Immediate choice pensioner, remedy choice not made by initial CEV date but known by transfer day	5
Example 2 – Deferred choice pensioner, remedy choice not made by initial CEV date nor by transfer day	12
Example 3 – Tapered immediate choice pensioner, remedy choice not made by initial CEV date nor by transfer day.....	19
Example 4 – Deferred choice deferred member at initial CEV date, retired and remedy choice known by transfer day	25

Introduction

These examples are provided to demonstrate the calculations set out in the Pension Sharing on Divorce for public service pensions remedy members: Initial Cash Equivalent Value calculation on or after 1 October 2023 – “Prospective – full guidance” (the McCloud guidance note) dated 5 November 2025. These examples should be read in conjunction with that guidance note.

Please note: a previous set of examples was issued following the first draft of the prospective divorce McCloud guidance note (dated 09 December 2025). This document sets out examples for the types of cases that have since been added to the guidance note. Once these further examples have been reviewed by the scheme manager and/or scheme administrator; they will be collated with the first set of examples to provide a single set of examples for the final prospective divorce McCloud 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: HSC Pension Scheme - Pension sharing following divorce - Factors and guidance dated 20 December 2019
 - Reformed scheme guidance: HSC Pension Scheme 2015 - Pension sharing following divorce - Factors and guidance dated 20 December 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 26 May 2023 in the consolidated factors workbook
- For pension credit calculations:
 - Legacy schemes guidance: HSC Pension Scheme - Pension sharing following divorce - Factors and guidance dated 20 December 2019
 - Reformed scheme guidance: HSC Pension Scheme 2015 - Pension sharing following divorce - Factors and guidance dated 20 December 2019
 - The pension credit factors issued 26 May 2023 in the consolidated factors workbook

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 Health and Social Care Pension Schemes (Northern Ireland) 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 Health and Social Care Pension Schemes (Northern Ireland).

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 – Immediate choice pensioner, remedy choice not made by initial CEV date but known by transfer day

The following scenario is considered in this example:

Remedy choice:	Not known at initial CEV date but known by transfer day (member chooses legacy scheme benefits for remediable service)
Member status:	Pensioner (at initial CEV date and transfer day)
Age at retirement:	Would not have been entitled to immediate retirement benefits from the alternative scheme
Contribution adjustment:	Not required
PSO received:	Legacy annex only (Scottish divorce case)

Member data required

Protection status	Protected
Sex	Male
Member's age at retirement	53
Initial CEV calculation date	1 August 2025
Member's age at initial CEV calculation date	63
Transfer Day	1 May 2026
Member's age at Transfer Day	63

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 (as at the Initial CEV date and as at the Transfer Day):

Remedy period benefits as at the Initial CEV date	If accrued in legacy scheme	If accrued in reformed scheme
Scheme	1995 section	2015 Scheme
Normal pension age	60	67
Pension	£320.00 pa	£550.00 pa
Survivor pension	£200.00 pa	£185.63 pa

Pre88 GMP	£0.00	£0.00
Post88 GMP	£0.00	£0.00
NI modification	£0.00	£0.00

Remedy period benefits as at the Transfer Day	If accrued in legacy scheme	If accrued in reformed scheme
Scheme	1995 section	2015 Scheme
Normal pension age	60	67
Pension	£336.00 pa	£577.50 pa
Survivor pension	£210.00 pa	£194.91 pa
Pre88 GMP	£0.00	£0.00
Post88 GMP	£0.00	£0.00
NI modification	£0.00	£0.00

The legacy benefits shown above:

- reflect early retirement reductions that applied at retirement,
- are after commutation and payment of commuted and automatic lump sums, and
- include pension increases between date of (early) retirement and calculation date of the benefits.

As the member would not have been entitled to immediate retirement benefits from the reformed scheme at their actual retirement age, the value of reformed scheme benefits is based on those that would be payable as a deferred pension from deferred pension age, assuming the member commuted the minimum that would be permitted if the member's McCloud election was the reformed scheme. In this case, the minimum level of commutation is taken to be nil.

Details of the member's benefits as at the initial CEV calculation date (for the purposes of calculating the initial CEV) and as at the transfer day (for implementing the PSO after it has been received) are required. In this example, there is a 5% pension increase applied on 1 April between the initial CEV date and transfer day.

Calculation of initial CEVs for PSO determination

Since this protected immediate choice member has not made their remedy choice by the initial CEV calculation date, Section 2C of the McCloud guidance note applies. These calculations should be based on the member's benefits as at the initial CEV calculation date.

Step 1 – Calculation of Initial scheme Cash Equivalent Value (Initial_CEV)

Service period	Scheme	Calculation method	Value (Initial_CEV)
Tranche 2 (Legacy scheme)	1995 section	Applying the legacy scheme cash equivalent guidance to the (post commutation) benefits shown above 'If accrued in legacy scheme' Factors from Table DIV1 (Table 301 in the consolidated factors spreadsheet)	£6,845.60

Step 2 – Calculation of Alternative Cash Equivalent Value (Alt_CEV)

Service period	Scheme	Calculation method	Value (Alt_CEV)
Tranche 2 (Reformed scheme)	2015 Scheme	Applying the reformed scheme cash equivalent guidance to the deferred benefits shown above 'If accrued in reformed scheme'. The calculation assumes the member commutes the minimum permitted in the reformed scheme (i.e. nil commutation). Factors from Table TV1 (Table 209 in the consolidated factors spreadsheet)	£9,592.55

Step 3 – Calculation of Alternative Underpayment Adjustment (Alt_UpayAdj)

ALTpayment = £0.00 (As the member could not have retired under the alternative scheme at the member's actual retirement age.)

Assume that:

ACTpayment = £4,080.00 (Pension and lump sum benefits received up to 1 August 2025, the initial CEV date, with interest applied to that date.)

Therefore,

$$\begin{aligned}
 \text{Alt_UpayAdj} &= \text{ALTpayment} - \text{ACTpayment} \\
 &= £0.00 - £4,080.00 \\
 &= - £4,080.00
 \end{aligned}$$

Step 4 – Calculation of Alternative Contribution Adjustment (Alt_ContAdj)

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

$$\text{Alt_ContAdj} = £0.00$$

Step 5 – Calculation of Remediable Cash Equivalent Value (RCEV)

$$\begin{aligned}
 \text{RCEV} &= \text{Maximum (Init_CEV, Alt_CEV + Alt_UpayAdj + Alt_ContAdj)} \\
 &= \text{Maximum (£6,845.60 , £9,592.55 - £4,080.00 + £0.00)} \\
 &= £6,845.60
 \end{aligned}$$

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

Calculations of the value of shareable rights

Assume the court issues a PSO as follows:

Monetary amount specified in the legacy scheme PSO annex (**MAL**) £40,000.00

As the PSO contains an annex which relates to the legacy scheme, further calculations are required to determine the resulting pension credit and pension debit amounts.

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

In this example, between the initial CEV calculations date and transfer day, the member has elected for the legacy scheme as their irrevocable McCloud choice. The Scheme's policy is to protect the pension credit member such that the RRCEV at the transfer day should consider the 'better of' value.

Therefore, RRCEV should be calculated as follows:

Calculation for	Calculation method	Value
(Recalculated) Initial_CEV	Applying the legacy scheme cash equivalent guidance to the benefits payable from transfer day following the member's remedy choice Factors from Table DIV1 (Table 301 in the consolidated factors spreadsheet) Note that as this member is a protected member who has elected for legacy scheme benefits for remediable service, the initial scheme is still the legacy scheme. The commutation choice made by the member at retirement remains.	£7,187.88 (This figure is based on the member's legacy benefits at transfer day, and factors effective at valuation day.)
(Recalculated) Alt_CEV	Applying the reformed scheme cash equivalent guidance to the benefits shown above 'If accrued in reformed scheme'. As per the first Alt_CEV	£10,072.18 (This figure is based on the member's alternative reformed benefits at

	calculation, it is assumed that the member commutes the minimum permitted in the reformed scheme (i.e. nil commutation). Factors from Table TV1 (Table 209 in the consolidated factors spreadsheet)	transfer day, and factors effective at valuation day.)
(Recalculated) Alt_UpayAdj	Reflecting any underpayment adjustments at transfer day	- £4,530.00 (assumed, this is different to the original AltUpayAdj due to more underpayments and interest to the transfer day than to the initial CEV date)
(Recalculated) Alt_ContAdj	In this example, no contribution adjustment is required and so Alt_ContAdj is zero.	£0.00
RRCEV	= Maximum (Init_CEV, Alt_CEV + Alt_UpayAdj + Alt_ContAdj) = Maximum (£7,187.88 , £10,072.18 - £4,530.00 + £0.00)	£7,187.88

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

As this is a Scottish divorce case, the implied percentage needs to be calculated.

Monetary amount specified in the legacy scheme PSO annex (MAL)	£40,000.00
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Assumed recalculated CEV at transfer day in respect of pre-2015 legacy scheme service (RTranche 1 CEV)	£150,000.00
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Implied percentage = [MAL / (RRCEV + RTranche 1 CEV)]
= [£40,000.00 / (£7,187.88 + £150,000.00)]
= **25.45%**

$$\begin{aligned}\text{RPCEV} &= \text{RRCEV} \times \text{implied percentage} \\ &= £7,187.88 \times 25.45\% \\ &= \mathbf{£1,829.12}\end{aligned}$$

This should be combined with the shareable rights for Tranche 1 as the total shareable rights for the legacy scheme. As there is no reformed scheme annex, there are no shareable rights 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	1995 section	Applying the legacy scheme pension credit guidance The Normal Pension Age for the ex-spouse is 60 Factors from Table TV2 (Table 202 in the consolidated factors spreadsheet), assuming the ex-spouse is female and is age 59 at the transfer day	Pension of £82.13 p.a. No lump sum applies as this has already been paid out to the member before the pension sharing took place.

This should be combined with the pension credit for Tranche 1 as the total pension credit in the legacy scheme. As there is no reformed scheme annex, there is no pension credit to apply in the reformed scheme.

Calculation of the pension debit

As this member has made an irrevocable McCloud remedy choice (for legacy scheme) by the PSO transfer day, Section 5B of the McCloud guidance note applies.

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

Service period	Pension debit amounts
Tranche 2 (Legacy scheme)	Based on benefits as at transfer day, assumed to be those set out above 'If accrued in legacy scheme' - Member's pension debit = 25.45% x £320.00 = £85.50 p.a. - Survivor's pension debit = 25.45% x £200.00 = £53.44 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. As there is no reformed scheme annex, there is no pension debit to apply in the reformed scheme.

It is expected that any underpayment adjustments and /or contribution adjustments (if any) arising from the member making their irrevocable McCloud choice are settled by **transfer day**. If any underpayment/ contribution adjustment arising has not been settled, the scheme should resolve this as per scheme policy, outside of the debit calculations shown here. This means no allowances are needed for these adjustments.

Example 2 – Deferred choice pensioner, remedy choice not made by initial CEV date nor by transfer day

The following scenario is considered in this example:

Remedy choice:	Not known at initial CEV date nor transfer day
Member status:	Pensioner (at initial CEV date and transfer day); remedy period benefits in payment are legacy
Age at retirement:	Would have been entitled to immediate retirement benefits from the alternative scheme
Contribution adjustment:	Not required
PSO received:	Legacy annex and reformed annex

Member data required

Sex	Female
Member's age at retirement	60
Initial CEV calculation date	1 October 2027
Member's age at initial CEV calculation date	60
Transfer Day	1 February 2028
Member's age at Transfer Day	60

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	1995 Section	2015 Scheme
Normal pension age	60	67
Pension	£3,100.00	£3,150.00
Survivor pension	£1,550.00	£1,518.75
NI modification	£0.00	£0.00
GMP pre88	£0.00	£0.00

GMP post88	£0.00	£0.00
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Pension amounts are as at the calculation date.

The legacy benefits shown above:

- are post commutation (automatic lump sum has been paid), and
- include in payment increases (if any) between date of retirement and calculation date.

As the member would have been entitled to immediate retirement benefits from the reformed scheme at their actual retirement age, the value of reformed scheme benefits is based on those that would be payable as an immediate pension at actual retirement age.

The reformed benefits shown above:

- reflect early retirement reductions that would apply at retirement.
- assume nil commutation, and
- include in payment increases (if any) between date of retirement and calculation date.

In practice, details of the member's benefits as at the initial CEV calculation date (for the purposes of calculating the initial CEV) and as at the transfer day (for implementing the PSO after it has been received) are required. For simplicity, this example is based on the same benefits at both calculation dates, but in practice, this may not be the case.

Calculation of initial CEVs for PSO determination

Since this deferred choice pensioner has not made their remedy choice by the initial CEV calculation date (but have had their legacy benefits put into payment pending a final McCloud choice), Section 2C of the McCloud guidance note applies. These calculations should be based on the member's benefits as at the initial CEV calculation date.

Step 1 – Calculation of Initial scheme Cash Equivalent Value (Initial_CEV)

Service period	Scheme	Calculation method	Value (CEVL)
Tranche 2 (Legacy scheme)	1995 Section	Applying the legacy scheme cash equivalent guidance to the (post commutation) benefits shown above 'If accrued in legacy scheme' Factors from Table DIV1 (Table 301 in the consolidated factors spreadsheet)	£71,393.00

Step 2 – Alternative Cash Equivalent Value (Alt_CEV)

Service period	Scheme	Calculation method	Value (CEVR)

Tranche 2 (Reformed scheme)	2015 Scheme	Applying the reformed scheme cash equivalent guidance to the benefits shown above 'If accrued in reformed scheme'. The calculation assumes the member commute the minimum permitted in the reformed scheme (i.e. nil commutation). Factors from Table DIV1 (Table 304 in the consolidated factors spreadsheet)	£72,571.50
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Step 3 – Calculation of Alternative Underpayment Adjustment (Alt_UpayAdj)

Assume that:

ALTpayment = £1,600.00 (Pension and lump sum benefits that would have been received from date of retirement up to 1 October 2027, the initial CEV date, based on early retirement benefits from the reformed scheme, with interest applied to that date. Please note that the lump sum is assumed to be nil as the calculation assumes the member commutes the minimum permitted in the reformed scheme.)

ACTpayment = £11,300.00 (Pension and lump sum benefits actually received up to 1 October 2027, with interest applied to that date)

Therefore,

$$\begin{aligned}
 \text{Alt_UpayAdj} &= \text{ALTpayment} - \text{ACTpayment} \\
 &= £1,600.00 - £11,300.00 \\
 &= - £9,700.00
 \end{aligned}$$

Step 4 – Calculation of Alternative Contribution Adjustment (Alt_ContAdj)

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

$$\text{Alt_ContAdj} = £0.00$$

Step 5 – Calculation of Remediable Cash Equivalent Value (RCEV)

$$\begin{aligned}
 \text{RCEV} &= \text{Maximum} (\text{Init_CEV} , \text{Alt_CEV} + \text{Alt_UpayAdj} + \text{Alt_ContAdj}) \\
 &= \text{Maximum} (£71,393.00 , £72,571.50 - £9,700.00 + £0.00) \\
 &= £71,393.00
 \end{aligned}$$

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

Calculations of the value of shareable rights

Assume the court issues a PSO as follows:

Legacy PSO	30.00%
Reformed PSO	35.00%

As the PSO contains an annex which relates to the legacy scheme, further calculations are required to determine the resulting pension credit and pension debit amounts.

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

In this example, the member's remedy choice has not yet been made by transfer day.

The administrator should re-calculate the member's pension benefits and CEV for each tranche of benefits at the valuation day, with transfer day as the calculation date. As this deferred choice pensioner has not made their final remedy choice by the PSO transfer day, Section 2C of the McCloud guidance note should be used for the calculation of RRCEV. For the purpose of this example, we have assumed the same CEV figures as calculated above; in practice, the re-calculations will not necessarily result in the same figures as quoted to the court for PSO determination.

$$\text{RRCEV} = \text{£}71,393.00$$

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

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

$$= \text{£}71,393.00 \times 30.00\%$$

$$= \text{£}21,417.90$$

This should be combined with the shareable rights for Tranche 1 as the total shareable rights for the legacy scheme, and the shareable rights for Tranche 3 are the total shareable rights 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	1995 Section	Applying the legacy scheme pension credit guidance The Normal Pension Age for the ex-spouse is 60 Factors from Table TV1 (Table	Pension of £977.99 p.a. No lump sum applies as this has already been paid out to the member before the pension sharing took place.

		201 in the consolidated factors spreadsheet), assuming the ex-spouse is Male and is age 58 at the transfer day	
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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 remediable pension debit and other relevant debits

As this deferred choice pensioner has not made their final remedy choice by the PSO transfer day, Section 5C of the McCloud guidance note applies.

Calculations before the member's choice is known

Pension debit when remedy choice is not known

As the remedy choice is not known by transfer day, the administrator should implement a pension debit based on the member's current benefits in payment (i.e. based on legacy benefits).

Service period	Pension debit amounts
Tranche 2 (Legacy scheme)	Based on benefits as at transfer day, assumed to be those set out above 'If accrued in legacy scheme' - Member's pension debit = 30.00% x £3,100.00 = £930.00 p.a. - Survivor's pension debit = 30.00% x £1,550.00 = £465.00 p.a.

Pension debits in respect of Tranche 1 and Tranche 3 benefits should be calculated as normal.

Calculations for the alternative McCloud choice

Alternative pension debits

The following information is required to calculate the alternative debits:

Member pension (Tranche 2) at transfer day (reformed)	£3,150.00 p.a.
Survivor's pension (Tranche 2) at transfer day (reformed)	£1,518.75 p.a.
Assumed settlement date	1 October 2028

Assumed commutation	Nil (the minimum permitted in the reformed scheme)
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Based on the information above, the reformed scheme debits are:

Service period	Pension debit amounts
Tranche 2 (Reformed scheme)	- Member's pension debit = 30.00% x £3,150.00 = £945.00 p.a. - Survivor's pension debit = 30.00% x £1,550.00 = £455.63 p.a.

Alternative underpayment adjustment debit

With the assumption of nil commutation and the settlement date of 1 October 2028:

ALTpayment = £2,650.00 (Pension and lump sum benefits that would have been received from date of retirement up to transfer day based on early retirement benefits from the reformed scheme, with interest applied to the settlement date. Please note that lump sum is assumed to be nil as the calculation assumes nil commutation.)

ACTpayment = £12,300.00 (Pension and lump sum benefits actually received up to transfer day, with interest applied to the settlement date.)

Therefore,

$$\begin{aligned}
 \text{UpayAdjAlt} &= \text{ALTpayment} - \text{ACTpayment} \\
 &= £2,650.00 - £12,300.00 \\
 &= - £9,650.00 \text{ (i.e. an overpayment)}
 \end{aligned}$$

And,

$$\begin{aligned}
 \text{Deb_AltUPayAdj} &= \text{UpayAdjAlt} \times \text{legacy scheme PSO\%} \\
 &= - £9,650.00 \times 30.00\% \\
 &= - £2,895.00
 \end{aligned}$$

$$\begin{aligned}
 \text{Illustrative amount to recover} &= £9,650.00 - £2,895.00 \\
 &= \mathbf{£6,755.00}
 \end{aligned}$$

The illustrative amount to recover is in relation to service before transfer day, based on the assumed settlement date of 1 October 2028. The scheme administrator should handle overpayments arising between transfer day and settlement date separately (this is done outside of the divorce process and is not covered in this example).

Alternative contribution adjustment debit

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

Deb_AltContAdj = £0.00

Example 3 – Tapered immediate choice pensioner, remedy choice not made by initial CEV date nor by transfer day

The following scenario is considered in this example:

Remedy choice:	Not known at initial CEV date nor transfer day
Member status:	Pensioner (at initial CEV date and transfer day); tapered remedy period benefits in payment
Age at retirement:	Would have been entitled to immediate retirement benefits from the alternative scheme
Contribution adjustment:	Not required
PSO received:	Legacy annex and reformed annex

Member data required

Sex	Male
Member's age at retirement	58
Initial CEV calculation date	1 January 2024
Member's age at initial CEV calculation date	60

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	1995 Section	2015 Scheme
Pension	£2,760.00	£2,816.00
Survivor pension	£1,500.00	£1,485.00
NI modification	£0.00	£0.00
Pre 88 GMP	£0.00	£0.00
Post 88 GMP	£0.00	£0.00

Pension amounts are as at the calculation date.

In addition, information on the actual benefit amounts in payment (in respect of benefits accrued in the remedy period) is required, split by those accrued in the legacy scheme and those in the reformed scheme:

Remedy period benefits	Actual accrued in legacy scheme	Actual accrued in reformed scheme	Total actual remedy period benefits in payment
Scheme	1995 Section	2015 Scheme	1995 Section and 2015 Scheme
Pension	£2,300.00	£448.00	£2,748.00
Survivor pension	£1,250.00	£236.25	£1,486.25
NI modification	£0.00	£0.00	£0.00
Pre 88 GMP	£0.00	£0.00	£0.00
Post 88 GMP	£0.00	£0.00	£0.00

As the member was a pensioner throughout all stages of the pension sharing process, it is assumed that any retirement lump sum benefits have already been paid to the member and do not need to be allowed for in the pension sharing calculations, apart from where an under/overpayment adjustment applies.

In practice, details of the member's benefits as at the initial CEV calculation date (for the purposes of calculating the initial CEV) and as at the transfer day (for implementing the PSO after it has been received) are required. For simplicity, this example is based on the same benefits at both calculation dates, but in practice, this may not be the case.

Calculation of initial CEVs for PSO determination

Since the member has not made their remedy choice by the initial CEV calculation date, and the member is a tapered member, Section 2D of the McCloud guidance note applies. These calculations should be based on the member's benefits as at the initial CEV calculation date.

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

Service period	Scheme	Calculation method	Value (CEVL)
Tranche 2 (Legacy scheme)	1995 Section	Applying the legacy scheme cash equivalent guidance to the benefits shown above 'If accrued in legacy scheme' Factors from Table DIV1 (Table 301 in the consolidated factors spreadsheet)	£63,774.00

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

Service period	Scheme	Calculation method	Value (CEVR)
Tranche 2 (Reformed scheme)	2015 Scheme	Applying the reformed scheme cash equivalent guidance to the benefits shown above 'If accrued in reformed scheme' Factors from Table DIV1 (Table 304 in the consolidated factors spreadsheet)	£65,100.64

Step 3 – Calculation of Alternative Underpayment Adjustment Legacy (Alt_UpayAdjL)

Assume that:

ALTpayment (legacy) = £15,870.00 (pension benefits that would have been received up to 1 January 2024, the initial CEV date, based on the legacy scheme, with interest applied to 1 January 2024. Please note that the calculation assumes the member commutes the minimum permitted in the legacy scheme.)

ACTpayment = £14,460.00 (pension and lump sum benefits actually received up to 1 January 2024, with interest applied to 1 January 2024)

Therefore,

$$\begin{aligned}
 \text{Alt_UpayAdjL} &= \text{ALTpayment (legacy)} - \text{ACTpayment} \\
 &= £15,870.00 - £14,460.00 \\
 &= + £1,410.00
 \end{aligned}$$

Step 4 – Calculation of Alternative Underpayment Adjustment Reformed (Alt_UpayAdjR)

Assume that:

ALTpayment (reformed) = £7,740.00 (pension benefits that would have been received up to 1 January 2024, the initial CEV date, based on the reformed scheme, with interest applied to 1 January 2024. Please note that the calculation assumes the member commutes the minimum permitted in the reformed scheme.)

ACTpayment = £14,460.00 (as above)

Therefore,

$$\begin{aligned}
 \text{Alt_UpayAdjR} &= \text{ALTpayment (reformed)} - \text{ACTpayment} \\
 &= £7,740.00 - £14,460.00 \\
 &= - £6,720.00
 \end{aligned}$$

Step 5 – Calculation of Alternative Contribution Adjustment Legacy (Alt_ContAdjL)

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

$$\text{Alt_ContAdjL} = \text{£0.00}$$

Step 6 – Calculation of Alternative Contribution Adjustment Reformed (Alt_ContAdjR)

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

$$\text{Alt_ContAdjR} = \text{£0.00}$$

Step 7 – Calculation of Remediable Cash Equivalent Value (RCEV)

$$\begin{aligned} \text{RCEV} &= \text{Maximum (Alt_CEVL + Alt_UpayAdjL + Alt_ContadjL , } \\ &\quad \text{Alt_CEVR + Alt_UpayAdjR + Alt_ContadjR)} \\ &= \text{Maximum (£63,774.00 + £1,410.00 + £0.00 , £65,100.64 - } \\ &\quad \text{£6,720.00 + £0.00)} \\ &= \text{£65,184.00} \end{aligned}$$

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

Calculations of the value of shareable rights

Assume the court issues a PSO as follows:

1995 Section	65.00% share
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As the PSO contains an annex which relates to the legacy scheme, further calculations are required to determine the resulting pension credit and pension debit amounts.

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 valuation day, with transfer day as the calculation date. 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.

$$\text{RRCEV} = \text{£65,184.00}$$

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

$$\begin{aligned} \text{RPCEV} &= \text{RCEV x legacy scheme PSO\%} \\ &= \text{£65,184.00 x 65.00\%} \\ &= \text{£42,369.60} \end{aligned}$$

This should be combined with the shareable rights for Tranche 1 as the total shareable rights for the legacy scheme. The shareable rights for Tranche 3 are the total shareable rights 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)	1995 Section	Applying the legacy scheme pension credit guidance The Normal Pension Age for the ex-spouse is 60 Factors from Table DIV3 (Table 306 in the consolidated factors spreadsheet), assuming the ex-spouse is Female and is age 62 at the transfer day	Pension of £2,059.78 p.a. No lump sum applies as any lump sum has already been paid out to the member before the pension sharing took place.

This should be combined with the pension credit for Tranche 1 as the total pension credit in the legacy scheme. As there is no reformed scheme annex, there is no pension credit to apply in the reformed scheme.

Calculation of the pension debit

As the member is a tapered pensioner and has not made an irrevocable McCloud remedy choice by the PSO transfer day, Section 5D of the McCloud guidance note applies.

Details of the pension debits are required as they apply based on the benefits the member is currently receiving. The following pension debit calculation should be carried out for Tranche 2, to apply before the member makes their McCloud choice:

Service period	Pension debit amounts
Tranche 2 (Legacy scheme)	Based on benefits shown above 'Actual accrued in legacy scheme' Member's pension debit $= 65.00\% \times £2,300.00$ = £1,495.00 p.a. Survivor pension debit $= 65.00\% \times £1,250.00$ = £812.50 p.a.

Tranche 2 (Reformed scheme)	Based on benefits shown above 'Actual accrued in reformed scheme' • Member's pension debit = 65.00% x £448.00 = £291.20 p.a. • Survivor pension debit = 65.00% x £236.25 = £153.56 p.a.
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Pension debits in respect of Tranche 1 and Tranche 3 benefits should be calculated as normal.

Since the tapered member is currently receiving payments based on service in both the legacy and reformed schemes, their benefits (including the debit that applies) will need to be updated when an irrevocable McCloud choice is implemented, to reflect whether legacy or reformed benefits are chosen for the remedy period. The updated debits will therefore reflect either legacy or reformed benefits for the entire remedy period.

An illustration of the adjustments that should apply when the remedy choice is known is set out in Example 2. Please note that in this case there will be an underpayment debit for both the legacy and reformed schemes.

Example 4 – Deferred choice deferred member at initial CEV date, retired and remedy choice known by transfer day

The following scenario is considered in this example:

Remedy choice:	Not known at initial CEV date but known at transfer day
Member status:	Deferred at initial CEV date; Pensioner at transfer day
Contribution adjustment:	Not required
PSO received:	Legacy annex and reformed annex

Member data required

Sex	Female
Member's age at retirement	60
Initial CEV calculation date	1 December 2025
Member's age at initial CEV calculation date	59
Transfer Day	1 June 2026
Member's age at Transfer Day	60

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 (as at the Initial CEV date and as at the Transfer Day):

Remedy period benefits as at the Initial CEV date	If accrued in legacy scheme	If accrued in reformed scheme
Scheme	1995 Section	2015 Scheme
Normal pension age	60	67
Pension	£3,500.00	£5,200.00
Lump sum	£10,500.00	n/a
Survivor pension	£1,750.00	£1,755.00
NI modification	£0.00	£0.00
GMP pre88	£0.00	£0.00

GMP post88	£0.00	£0.00
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Remedy period benefits as at the Transfer Day	If accrued in legacy scheme	If accrued in reformed scheme
Scheme	1995 Section	2015 Scheme
Normal pension age	60	67
Pension	£3,570.00	£3,712.80
Survivor pension	£1,785.00	£1,790.10
NI modification	£0.00	£0.00
GMP pre88	£0.00	£0.00
GMP post88	£0.00	£0.00

The legacy benefits shown above:

- assume nil commutation, and
- include in payment increases (if any) between date of retirement and calculation date.

As the member would have been entitled to immediate retirement benefits from the reformed scheme at their actual retirement age, the value of reformed scheme benefits is based on those that would be payable as an immediate pension at actual retirement age.

The member has chosen reformed scheme benefits, and so the reformed benefits shown above:

- reflect early retirement reductions that applied at retirement
- are post commutation of any commuted lump sum (where applicable), and
- include in payment increases (if any) between date of retirement and calculation date.

Calculation of initial CEVs for PSO determination

Since the member is deferred at the initial CEV date, 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)	1995 Section	Applying the legacy scheme cash equivalent guidance to the benefits shown above 'If accrued in legacy scheme' Factors from Table TV2 (Table 202 in the consolidated factors spreadsheet)	£91,402.50

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

Service period	Scheme	Calculation method	Value (CEVR)
Tranche 2 (Reformed scheme)	2015 Scheme	Applying the reformed scheme cash equivalent guidance to the benefits shown above 'If accrued in reformed scheme' Factors from Table TV1 (Table 209 in the consolidated factors spreadsheet)	£85,025.20

Step 3 – Calculation of Contribution Adjustment Reformed (contadjR)

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

$$\text{contadjR} = £0.00$$

Step 4 – Calculation of Remediable Cash Equivalent Value (RCEV)

$$\begin{aligned} \text{RCEV} &= \text{Maximum (CEVL , CEVR + contadjR)} \\ &= \text{Maximum (£91,402.50 , £85,025.20 + £0.00)} \\ &= £91,402.50 \end{aligned}$$

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

Calculations of the value of shareable rights

Assume the court issues a PSO as follows:

Legacy PSO 50.00%

Reformed PSO 20.00%

As the PSO contains an annex which relates to the legacy scheme, further calculations are required to determine the resulting pension credit and pension debit amounts.

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

In this example, between the initial CEV calculations date and transfer day, the member has retired and has elected for the reformed scheme as their irrevocable McCloud choice. The Scheme's policy is to protect the pension credit member such that the RRCEV at the transfer day should consider the 'better of' value.

Therefore, RRCEV should be calculated as follows:

Calculation for	Calculation method	Value
(Recalculated) Initial_CEV	Applying the reformed scheme cash equivalent guidance to the benefits payable from transfer day following the member's remedy choice (using the benefits shown above 'If accrued in reformed scheme'). Any lump sum paid prior to transfer day is not included. Factors from Table DIV1 (Table 304 in the consolidated factors spreadsheet)	£85,537.61
(Recalculated) Alt_CEV	Applying the legacy scheme cash equivalent guidance to the benefits shown above 'If accrued in legacy scheme'. Factors from Table DIV1 (Table 301 in the consolidated factors spreadsheet)	£82,217.10 (This value does not include the automatic lump sum benefit as this would have been paid out by transfer day.)
(Recalculated) Alt_UpayAdj	This reflects any differences in lump sum and pension benefits payable between actual retirement date and transfer day, with interest applied to transfer day.	£10,698.10 (assumed)
(Recalculated) Alt_ContAdj	In this example, no contribution adjustment is required and so	£0.00

	Alt_ContAdj is zero.	
RRCEV	= Maximum (Init_CEV, Alt_CEV + Alt_UpayAdj + Alt_ContAdj) = Maximum (£85,537.61, £82,217.10 + £10,698.10 + £0.00)	£92,915.20

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

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

$$= £92,915.20 \times 50.00\%$$

$$= £46,457.60$$

This should be combined with the shareable rights for Tranche 1 as the total shareable rights for the legacy scheme, and the shareable rights for Tranche 3 are the total shareable rights 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	1995 Section	Applying the legacy scheme pension credit guidance The Normal Pension Age for the ex-spouse is 60 Factors from Table DIV3 (Table 306 in the consolidated factors spreadsheet), assuming the ex-spouse is Male and is 63 at the transfer day	Pension of £2,329.87 p.a. No lump sum applies as any lump sum has already been paid out to the member before the pension sharing took place.

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

Calculation of the pension debit

As this member has made an irrevocable McCloud remedy choice (for reformed scheme) by the PSO transfer day, Section 5B of the McCloud guidance note applies.

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

Service period	Pension debit amounts
Tranche 2 (Reformed scheme)	Based on benefits as at transfer day shown above 'If accrued in reformed scheme' - Member's pension debit = 50.00% x £3,712.80 = £1,856.40 p.a. - Survivor's pension debit = 50.00% x £1,790.10 = £895.05 p.a.

The debit calculation in respect of the remediable service should be recorded on the administration system and revaluation should apply as usual. Pension debits in respect of Tranche 1 and Tranche 3 benefits should be calculated as normal.

It is expected that any underpayment adjustments and /or contribution adjustments (nil here) arising from the member making their irrevocable McCloud choice are settled by **transfer day**. If any underpayment/ contribution adjustment arising has not been settled, the scheme should resolve this as per scheme policy, outside of the debit calculations discussed here. This means no allowances are needed for these adjustments.