



Government  
Actuary's  
Department

# Police Pension Schemes (Scotland)

Guidance for applying McCloud remedy to non-Club  
transfers out

31 January 2025  
Michael Scanlon FIA C.Act  
Government Actuary's Department

The Government Actuary's Department is proud to be  
accredited under the Institute and Faculty of Actuaries'  
[Quality Assurance Scheme](#). Our website describes  
[the standards we apply](#).



# Contents

- 1. Introduction .....3
- 2. Recalculating non-Club transfers out paid pre-1 October 2023.....7
- 3. Calculating non-Club transfer values to be paid post-1 October 2023.....10

# 1. Introduction

- 1.1 This guidance is addressed to the Scottish Public Pensions Agency (SPPA) as the scheme manager for the Police Pension Schemes (Scotland) (the Schemes). The schemes include the Police Pensions Regulations 1987, Police Pensions (Scotland) Regulations 2007 (the legacy schemes) and the Police Pension Scheme (Scotland) Regulations 2015 (the 2015 Scheme).
- 1.2 This guidance has been prepared for the use of the scheme administrators for the purposes of calculating remediable non-Club transfers out i.e. Cash Equivalent Transfer Values (CETVs). A remediable non-Club transfer out is the portion of the non-Club CETV paid out by the Schemes in respect of benefits earned by the member in the McCloud remedy period only, 1 April 2015 to 31 March 2022.
- 1.3 This guidance sets out the approach to be used in determining the value of a member's remediable transfer value under the relevant legacy scheme and the 2015 Scheme, and the approach to determining the remediable transfer value paid.
- 1.4 The approach requires consideration of whether an adjustment needs to be made to reflect the difference in member contribution structures between the legacy schemes and reformed schemes. The calculation of the member contribution adjustment can be made using the "McCloud tax and contributions calculator"<sup>1</sup>.
- 1.5 The results from the calculations set out in this guidance will be used to notify the receiving scheme of the results and to determine any additional payments to be made by the Schemes.
- 1.6 This guidance has been prepared in accordance with the following Regulations of SSI 2023/239 (the Remediable Service Regulations):

Administrative procedure	Regulation(s)	Relevant section of this document
<b>Recalculation of non-Club transfer values paid before 1 October 2023</b>	33(2)	2
<b>Calculation of non-Club transfer values to be paid on or after 1 October 2023</b>	36(2)	3

- 1.7 The guidance provided in this document has been prepared in light of our advice to SPPA dated 29 September 2023 and 5 December 2024 and its instructions following that advice.

<sup>1</sup> Excel spreadsheet named "Cross scheme contribution calculator".

- 1.8 Where reference in this guidance is made to recalculating elements of past transfer values, calculations should be undertaken using the related guidance and factors in force at the effective date of the original calculation. These include:

### Legacy schemes

GAD note	Issued on	Effective from
<b>Police pension schemes (Scotland) 1987 Scheme Transfer values and pension sharing on divorce Factors and guidance</b>	12 Jun 2015	1 Apr 2015
<b>Addendum to GAD guidance note "Police pension schemes (Scotland): 1987 Scheme: Transfer values and pension sharing on divorce" dated 12 June 2015</b>	7 Apr 2016	16 Mar 2016
<b>Addendum to GAD guidance note "Police pension schemes (Scotland): 1987 Scheme: Transfer values and pension sharing on divorce" dated 12 June 2015</b>	3 Mar 2017	1 Mar 2017
<b>Police pension schemes (Scotland) 1987 Scheme Transfer values and pension sharing on divorce Factors and guidance</b>	10 Dec 2020	30 Oct 2018
<b>Police pension schemes (Scotland) 2006 Scheme Transfer values and pension sharing on divorce Factors and guidance</b>	8 May 2015	1 Apr 2015
<b>Addendum to GAD guidance note "Police pension schemes (Scotland): 2006 Scheme: Transfer values and pension sharing on divorce" dated 8 May 2015</b>	7 Apr 2016	16 Mar 2016
<b>Police pension schemes (Scotland) 2006 Scheme Transfer values and pension sharing on divorce Factors and guidance</b>	10 Dec 2020	30 Oct 2018

## 2015 Scheme

GAD note	Issued on	Effective from
<b>Police pension schemes (Scotland) 2015 Scheme</b> <b>Transfer values and pension sharing on divorce</b> <b>Factors and guidance</b>	8 May 2015	1 Apr 2015
<b>Addendum to "Police pension schemes (Scotland Ireland): 2015 Scheme: Transfer values and pension sharing on divorce" dated 8 May 2015</b>	7 Apr 2016	16 Mar 2016
<b>Police pension schemes (Scotland) 2015 Scheme</b> <b>Transfer values and pension sharing on divorce</b> <b>Factors and guidance</b>	10 Dec 2020	30 Oct 2018

## Exclusions

- 1.9 This guidance only covers remediable non-Club transfers paid by the Schemes. For non-Club transfers out not in scope for the McCloud remedy, the relevant CETV guidance should be followed as normal.
- 1.10 This guidance only applies for members of the Schemes who fall under the scope of the McCloud remedy, and any subsequent reference to members 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 Services Pensions and Judicial Offices Act 2022 (PSPJOA).
- 1.11 Nothing in this guidance should be read as overriding the regulations which govern the Schemes.
- 1.12 This guidance does not apply for bulk transfers and transfers under the Public Sector Transfer Club.
- 1.13 This guidance covers cases where the scheme manager is required to pay an amount of compensation to the member in respect of contributions adjustments under PSPJOA section 15 or 17. Any other cases where the member is owed compensation which would differ depending on the member's future McCloud election should be referred to SPPA in the first instance, for onward transmission to GAD.

## Implementation

- 1.14 This guidance should be used with effect from 1 October 2023.
- 1.15 This guidance has been written for the SPPA and assumes knowledge of general pension terminology, and familiarity with pension calculations for the Schemes. Any questions

concerning the application of the guidance should, in the first instance, be referred to the scheme manager.

- 1.16 Where an adjustment was applied to Guaranteed Minimum Pension (GMP) (to reflect the inflationary increases on the GMP which were the responsibility of the State Scheme after GMP Payment Age) at the original calculation date, adjustment should also be applied when undertaking the remedy calculation.
- 1.17 In line with best practice and in order to ensure that factors are being used as intended and the instructions are fit for purpose, GAD plan to follow up with example calculations for this guidance note.

### **Compliance and limitations**

- 1.18 This guidance has been prepared for the use of SPPA for the purpose of applying the McCloud remedy to non-Club transfers paid by the Schemes. This guidance may be published on SPPA'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.
- 1.19 Other than SPPA, 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.
- 1.20 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.
- 1.21 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. Recalculating non-Club transfers out paid pre-1 October 2023

- 2.1 This section applies for all members for whom a remediable CETV was paid from the Schemes before 1 October 2023. Administrators will need to ensure they have details of the original transfer value amount and Guarantee date.

### Value of remediable rights under legacy and 2015 schemes

- 2.2 As set out in further detail below, it is necessary to calculate two CETVs, assuming the member's remediable service was in the legacy scheme and the 2015 Scheme. If the higher of these two CETVs, allowing for the difference in member contributions between schemes, is greater than the CETV originally paid, then a top-up will be needed, and this guidance sets out the required actions.
- 2.3 The value of the member's remediable rights must be calculated as if they were secured in the member's relevant legacy scheme (we will refer to this as "CETV\_L") and separately as if they were secured in the 2015 Scheme (we will refer to this as "CETV\_R").
- 2.4 The member's required contributions will differ depending on which scheme is being considered. A member contribution adjustment will therefore need to be incorporated into the CETV calculations. This contribution adjustment can be calculated using "McCloud tax and contributions calculator"<sup>2</sup>.
- 2.5 The following calculations should be carried out in respect of benefits accrued in the 1 April 2015 to 31 March 2022 remedy period only.

#### Calculation of remediable transfer value under the relevant legacy scheme

***Legacy scheme transfer value (CETV\_L) = Transfer value calculated in respect of remedy period benefits where the remediable rights are treated as having been secured in the relevant legacy scheme***

- 2.6 The above calculation should be carried out as at the effective date of the original calculation and allowing for remedy period benefits only.
- 2.7 The transfer value should be determined using the relevant legacy scheme guidance and factors as set out in Section 1.
- 2.8 For the avoidance of doubt, pension benefits in the Police Pension Scheme 1987 should be determined as if the relevant accrual rate applied uniformly across their service within this scheme.
- 2.9 This calculation will require the following information:
- Relevant legacy scheme
  - Effective date of original calculation
  - Member age, Normal Pension Age and gender (at the effective date of the original calculation)

---

<sup>2</sup> Excel spreadsheet named "Cross scheme contribution calculator".

- The member's deferred pension and spouse/partner's pension, at the effective date of original calculation, in respect of remedy period benefits only, allowing for all of the member's remediable rights being secured in the relevant legacy scheme
- Related GMP information (if an adjustment was applied at the time of the original calculation)

## Calculation of remediable transfer value under the 2015 Scheme

***2015 Scheme transfer value (CETV\_R) = Transfer value calculated in respect of remedy period benefits where the remediable rights are treated as having been secured in the 2015 Scheme***

- 2.10 The above calculation should be carried out as at the effective date of the original calculation and allowing for remedy period benefits only.
- 2.11 The transfer value should be determined using the 2015 Scheme guidance and factors as set out in Section 1.
- 2.12 This calculation will require the following information:
- Effective date of original calculation
  - Member age, Normal Pension Age and gender (at the effective date of the original calculation)
  - The member's deferred pension and spouse/partner's pension, at the effective date of original calculation, in respect of remedy period benefits only, allowing for the all the member's remediable rights being secured in the 2015 Scheme
  - Related GMP information (if an adjustment was applied at the time of the original calculation)

## Value of remediable transfer value paid

- 2.13 The remediable transfer value paid is the part of the member's transfer value paid which is in relation to benefits accrued in the 1 April 2015 to 31 March 2022 remedy period. Where this information is not readily available, the remediable transfer value paid should be calculated as follows.

## Calculation of remediable transfer value paid

***Remediable transfer value paid (CETV\_Paid) = Transfer value calculated in respect of remedy period benefits where the remediable rights are in line with those accrued by the member***

- 2.14 For taper protected members, separate calculations are required for the part of the benefits which were accrued in the legacy scheme and those which were accrued in the 2015 Scheme.
- 2.15 The above calculation should be carried out as at the effective date of the original calculation and using the same guidance and factors used for the original CETV calculation.



- 2.16 For protected members, the remediable transfer value paid is equal to the remediable transfer value under the relevant legacy scheme as calculated above.
- 2.17 For unprotected members, the remediable transfer value paid is equal to the remediable transfer value under the 2015 Scheme as calculated above.
- 2.18 For the avoidance of doubt, pension benefits in the Police Pension Scheme 1987 should be determined as if the relevant accrual rate applied uniformly across their service within this scheme.

## Calculation of remediable amount

- 2.19 Contribution adjustments associated with each scheme should be calculated using the “McCloud tax and contributions calculator”.
- Interest on contribution adjustments, as required under the PSPJOA and associated Directions, should be applied up to the Guarantee date.
  - The contributions adjustment should be net of the tax relief waived under Section 18 of the PSPJOA.

### Calculation of remediable amount

$$\text{Remediable amount} = \text{Maximum (CETV\_L + contadjL, CETV\_R + contadjR)} - \text{CETV\_Paid}$$

CETV_L	Legacy scheme transfer value, as described above
CETV_R	2015 Scheme transfer value, as described above
ContadjL	Contribution adjustment required for member choosing legacy scheme (if any, enter a positive number if compensation is due to the member; a negative number if additional contributions are due from the member)
ContadjR	Contribution adjustment required for member choosing reformed scheme (if any, enter a positive number if compensation is due to the member; a negative number if additional contributions are due from the member)
CETV_Paid	Remediable transfer value paid, as described above

- 2.20 These calculations must be carried out at the same effective date as the original CETV calculation.
- 2.21 Where an opted-out service election has been made, the calculations of transfer values and contribution adjustments above should take account of that election (except for the calculation of “CETV\_Paid”).
- 2.22 If the remediable amount as calculated above is zero or negative, no further action is needed.
- 2.23 If the remediable amount as calculated above is positive, the scheme manager must take reasonable steps to pay the remediable amount to the receiving scheme, and – if that is not possible – follow the procedure set out in Regulation 33 of the Remediable Service Regulations.

### 3. Calculating non-Club transfer values to be paid post-1 October 2023

- 3.1 The calculation of remediable non-Club transfer values to be paid on or after 1 October 2023 should follow the relevant CETV guidance at the effective date.
- 3.2 This section sets out the calculation of two CETVs, assuming the member's remediable service was in the legacy scheme and the 2015 Scheme. The CETV in respect of remediable service will be based the higher of these two CETVs, allowing for the difference in member contributions between schemes.
- 3.3 The approach will require calculation of two transfer values as set out in section 2 above:
- assuming the benefits earned in the remedy period were in the relevant legacy scheme (we will refer to this as "CETV\_L"); and separately
  - assuming the benefits earned in the remedy period were in the 2015 Scheme (we will refer to this as "CETV\_R").
- 3.4 The contribution adjustment if the member were to make a reformed scheme election should then be determined. You should assume that any contribution adjustment arising as a result of rollback has been settled. Paragraph 3.6 sets out further steps to settle any contribution adjustment in respect of roll back if this has not already occurred in practice.
- Interest on the contributions adjustment, as required under the PSPJOA and associated Directions should be applied up to the Guarantee date.
  - The contributions adjustment should be net of the tax relief waived under Section 18 of the PSPJOA.
- 3.5 The CETV in respect of remediable service is calculated as follows:

Maximum (CETV\_L, CETV\_R + contadjR)

CETV_L	Legacy scheme transfer value, as described above
CETV_R	2015 Scheme transfer value, as described above
ContadjR	Contribution adjustment required for member choosing reformed scheme (enter a positive number if compensation is due to the member; a negative number if additional contributions are due from the member)

- 3.6 If, in practice, there is an outstanding contribution adjustment due to rollback, then the following action should be taken dependent on whether the adjustment is a contribution underpayment or overpayment:
- **If the member owes the Scheme underpaid contributions:** On transfer, the scheme manager would need to recover the underpayment from the member (if not already paid) and pay the CETV to the receiving scheme. If the underpayment cannot be recovered from the member, the scheme manager may instead reduce the CETV by the value of the contribution adjustment.
  - **If the Scheme owes the member overpaid contributions:** On transfer, the scheme manager would pay compensation in respect of the overpaid contributions with interest to the member (if not already refunded) and pay the CETV to the receiving scheme.

- 3.7 Where an opted-out service election has been made, the calculations of transfer values and contribution adjustments above should take account of that election.