



Government
Actuary's
Department

Police Pension Schemes (Scotland)

Guidance for applying McCloud remedy to incoming
non-Club transfers

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1. Introduction

- 1.1 This guidance is addressed to the Scottish Public Pensions Agency (SPPA) as the scheme manager for the Police Pension Scheme (Scotland). The Schemes includes the 1987 and 2006 schemes (the legacy schemes) and the 2015 Scheme.
- 1.2 This guidance has been prepared for the use of the Schemes' administrators for the purposes of adjusting remediable benefits awarded on receipt of non-Club incoming transfers to the Schemes. Remediable non-Club incoming transfer benefits are those received by the Schemes with an effective date in the McCloud period, 1 April 2015 to 31 March 2022, in respect of members who are within the scope of the McCloud remedy.
- 1.3 This guidance also sets out the transfer in credits to be provided where a transfer in for a member who is in scope of the McCloud remedy in the sending scheme is received on or after 1 October 2023 (and between 1 April 2022 and 30 September 2023).
- 1.4 This guidance also sets out the transfer in credits to be provide where the non-Club incoming transfer was sent from another public service pension scheme and the scheme manager has accepted an additional payment as a result of the sending scheme's McCloud remedy.
- 1.5 The adjustment calculations set out in this guidance must be carried out at the same effective date as the original calculation. Where a member has multiple remediable non-Club incoming transfers, the adjustment calculations should be repeated for each transfer. The adjusted benefits should be adjusted thereafter in line with the relevant scheme's rules, for example to reflect early or late retirement factors at the retirement date or to allow for revaluation.
- 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)
Transfers in before 1st October 2023	34(2)
Transfers in from a public service pension scheme on or after 1st October 2023	37(2)

- 1.7 This note reflects GAD's understanding of the policy on McCloud remedy for non-Club transfers as set out in the note "McCloud remedy: transfers" dated 21 November 2024.
- 1.8 The guidance provided in this document has been prepared in light of our advice to SPPA dated 27 September 2023 and its instructions following that advice.
- 1.9 This guidance supersedes the guidance, "Police Pension Schemes (Scotland): Guidance for applying McCloud remedy to incoming non-Club transfers", dated 24 June 2024. The main change since this previous version relates to Section 4: "Calculating scheme credits for remediable non-Club transfer values received from a public service pension scheme on or after 1 October 2023".

- 1.10 Where reference in this guidance is made to calculating transfer in credits, 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 guidance	Issued on	Effective from
Police pension schemes (Scotland) 1987 Scheme Non-Club incoming transfers Factors and guidance	15 April 2015	1 Apr 2015
Police pension schemes (Scotland) 1987 Scheme Non-Club incoming transfers Factors and guidance	10 Dec 2020	10 Dec 2020
Police pension schemes (Scotland) 2006 Scheme Non-Club incoming transfers Factors and guidance	15 Apr 2015	1 Apr 2015
Police pension schemes (Scotland) 2006 Scheme Non-Club incoming transfers Factors and guidance	10 Dec 2020	10 Dec 2020

2015 scheme

GAD guidance	Issued on	Effective from
Police pension schemes (Scotland) 2015 Scheme Non-Club incoming transfers Factors and guidance	15 Apr 2015 (as amended on 27 Oct 2015)	1 Apr 2015
Addendum to GAD guidance note "Police pension schemes (Scotland): 2015 Scheme: Non-Club incoming transfers" dated 27 October 2015 Date: 7 April 2016	7 Apr 2016	16 Mar 2016
Police pension schemes (Scotland) 2015 Scheme Non-Club incoming transfers Factors and guidance	10 Dec 2020	10 Dec 2020

- 1.11 Where the existing guidance does not contain the factors required for a particular member, these cases should be referred to GAD.

Exclusions

- 1.12 This guidance only covers the cases set out in paragraphs 1.2 to 1.4 above. For non-Club incoming transfers not in scope for the McCloud remedy, the relevant non-Club transfers guidance should be followed.
- 1.13 The action that needs to be taken should the service credit calculated using this guidance result in a breach of the scheme rules relating to service caps is set out in Section 2. Cases where recalculating the remediable service credit leads to any other breach of the scheme rules should be discussed with SPPA when a breach arises.
- 1.14 This guidance only applies for members of the Schemes who fall within the scope of the McCloud remedy, and any subsequent reference to member 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.
- 1.15 Nothing in this guidance should be read as overriding the regulations which govern the Schemes.
- 1.16 Different instructions and factors should be used to calculate credits for transfers made in accordance with the Public Sector Transfer Club and under bulk transfer terms.
- 1.17 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, the corresponding adjustment should be applied when undertaking the alternative scheme calculation.

Implementation

- 1.18 This guidance should be used with effect from 1 October 2023.
- 1.19 This guidance has been written for SPPA (as both the scheme manager and the scheme administrator) and assumes knowledge of general pension terminology, and familiarity with pensions calculations for the Schemes. Any questions concerning the application of the guidance should, in the first instance, be referred to SPPA.
- 1.20 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

- 1.21 This guidance has been prepared for the use of SPPA for the purpose of applying the McCloud remedy to non-Club incoming transfers received 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.
- 1.22 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.
- 1.23 If any cases arise which do not fall under the standard approach set out in this guidance, they should be referred to SPPA in the first instance.
- 1.24 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. Conversion of 2015 Scheme transferred-in pension to legacy scheme credit on rollback

- 2.1 This section applies for all members at 30 September 2023 (including active, deferred, pensioner and deceased) who are to be rolled back to their relevant legacy scheme on implementation of the McCloud remedy and for whom the transfer payment has an effective date which falls between 1 April 2015 and 31 March 2022.
- 2.2 On implementation of the remedy, the 2015 Scheme transferred-in pension originally awarded in respect of the non-Club transfer-in should be rolled back to the relevant legacy scheme where an equivalent credit in the legacy scheme should be calculated in line with the paragraphs set out below.
- 2.3 For active and deferred members, this conversion is treated as having taken effect when the Remediable Service Regulations came into force and the original credit is treated as a legacy scheme credit. For pensioner and deceased members, this conversion is treated as having taken effect at point of election or at the end of the member's immediate choice election period.
- 2.4 If at the time of the transfer, the transfer would have been allowed under legacy scheme rules, a legacy scheme credit can be calculated.

Calculation of equivalent legacy scheme credit

Legacy scheme credit = Credit calculated in respect of original transfer in amount using legacy scheme guidance

- 2.5 The equivalent legacy scheme service credit for the transfer value received should be determined using the same effective date as the original calculation using the legacy scheme guidance and factors effective at that date (see Section 1).
- 2.6 This calculation will require the following information:
- Transfer value received
 - Scheme/section of receipt
 - Pensionable pay as required by the relevant guidance note
 - Effective date of the original calculation
 - Member age, Normal Pension Age and gender (at the effective date of the original calculation)
 - Related GMP information (if an adjustment was applied at the time of the original calculation)
- 2.7 If the legacy scheme credit will increase the member's legacy scheme service above the maximum allowable, the legacy scheme credit should be limited so that legacy service remains within the limit. The amount of the transfer value received that was not used to generate a legacy scheme credit should be treated as follows:
- If the member has service after 31 March 2022 then a revised 2015 Scheme transferred-in pension (calculated as at the original transfer date) should be applied

to their post-31 March 2022 record. This revised transferred-in pension should be calculated as:

Calculation of revised 2015 Scheme transferred-in pension

Revised 2015 Scheme transferred-in pension =

Original 2015 Scheme transferred-in pension

× (original monetary amount transferred in – monetary amount allocated to legacy scheme)

÷ original monetary amount transferred in

The effective date of the revised 2015 Scheme transferred-in pension is the original transfer date. This credit should be revalued as appropriate in line with 2015 Scheme revaluation.

- If the member does not have service after 31 March 2022, the member is entitled to an amount of compensation equivalent in value to the amount of the transfer value that was received that was not used to generate the legacy scheme credit. Any such case should be referred to SPPA in the first instance.

2.8 There are situations in which the whole of the transfer would not have been allowed under legacy scheme rules at the time of the transfer. These should be addressed as follows.

- If the member has service after 31 March 2022, then the transfer should be applied to their post-31 March 2022 record. The effective date of the revised 2015 Scheme transferred-in pension is the original transfer date. This credit should be revalued as appropriate in line with 2015 Scheme revaluation.
- If the member does not have service after 31 March 2022, then the member is entitled to an amount of compensation equivalent in value to the amount that was transferred-in. Any such case should be referred to SPPA in the first instance.

2.9 Records of the member's original 2015 Scheme transferred-in pension should be retained, to facilitate any future 2015 scheme election.

3. Conversion of legacy scheme credit to 2015 Scheme transferred-in pension on election

- 3.1 This section applies on a 2015 Scheme election where the member has a legacy scheme credit. There are two approaches depending on how the legacy scheme credit was established.

Calculation where the original transfer was received into the legacy scheme

2015 Scheme transferred-in pension = *Pension calculated in respect of original transfer-in amount using 2015 Scheme guidance*

- 3.2 The equivalent 2015 Scheme transferred-in pension for the transfer value received should be determined as at the date of the original calculation using the 2015 Scheme guidance and factors effective at that date (see Section 1).
- 3.3 This calculation will require the following information:
- Transfer value received
 - Effective date of the original calculation
 - Member age, Normal Pension Age and gender (at the effective date of the original calculation)
 - Related GMP information (if an adjustment was applied at the time of the original calculation)

Calculation where the original transfer was received into the 2015 Scheme and subsequently rolled back to the legacy scheme

2015 Scheme transferred-in pension = *Originally calculated 2015 Scheme transferred-in pension*

4. Calculating scheme credits for remediable non-Club transfer values received from a public service pension scheme on or after 1 October 2023

- 4.1 On receipt of a non-Club remediable transfer value on or after 1 October 2023, where the sending scheme is a public service pension scheme, the following approach should be taken.
- 4.2 Calculate the 2006 Scheme credit for the transfer value received using the 2006 Scheme guidance and factors effective at the time of receipt of the transfer.
- 4.3 Calculate the 2015 Scheme transferred-in pension for the transfer value received using the 2015 scheme guidance and factors effective at the time of receipt of the transfer.
- 4.4 In line with the Public Sector Transfer Club, for transfers where a member transfers from Scheme A to Scheme C (where both Scheme A and Scheme C are public service pension schemes) with more than a 5 year break between the sending and receiving schemes (but has not had a continuous break of more than 5 years in active membership of a public service scheme, because he / she had been a member of Scheme B, also a public service pension scheme, in between A and C) the transfer will be a non-Club transfer but would still entitle the member to a final salary link where the conditions in Schedule 7 of the Public Service Pensions Act 2013 are met. In these cases, both records calculated in paragraphs 4.2 and 4.3 must be maintained until the member makes their choice between legacy and 2015 Scheme benefits.
- 4.5 SPPA have instructed that, for all other non-Club remediable transfer values received from a public service pension scheme on or after 1 October 2023, the 2006 Scheme credit calculated in paragraph 4.2 should be disregarded and the 2015 Scheme transferred-in pension calculated in paragraph 4.3 should be implemented.
- 4.6 The same process also applies to any non-Club remediable transfer values received between 1 April 2022 and 30 September 2023 where the sending scheme is a public service pension scheme.

5. Credits from additional payments for remediable transfer values

- 5.1 Where the non-Club incoming transfer was sent from another public service pension scheme, the scheme manager may accept an additional payment as a result of the sending scheme's McCloud remedy. For example, the sending scheme will provide the receiving scheme with an additional CETV amount based on remedy. The additional credits to be awarded in respect of these additional payments, should be calculated using the same effective date and terms as the original transfer value (and converted in line with this guidance).

Calculation for additional payments in respect of remediable non-Club incoming transfers

Scheme credit = *Credit calculated in line with the approach used for the associated remediable non-Club incoming transfer, awarded in same scheme*