Government Actuary's Department

Teachers' Pension Scheme

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

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 incoming non-Club transfers*, dated 31 October 2023 (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 incoming non-Club transfers depend on calculating the benefits awards for incoming non-Club transfers to the legacy schemes and the reformed scheme. Guidance and examples on these calculations are set out in incoming non-Club transfers guidance notes for those schemes, as referenced in the McCloud guidance note.

This document includes:

- Example 1 – Pre-1 October 2023 transfer in to 2015 Scheme, convert to Pre 2007 Section
- Example 2 – Pre-1 October 2023 transfer in to 2015 scheme, convert to Post 2007 Section
- Example 3 – Pre-1 October 2023 transfer in to Pre 2007 Section, convert to 2015 Scheme on election
- Example 4 – Additional payment received for remediable transfer value

Compliance and limitations

These examples have been prepared for use by the scheme manager and scheme administrator of the Teachers' Pension Scheme (the Scheme) for the purpose of applying the McCloud remedy to incoming non-Club transfers received by the Scheme. They were commissioned by the scheme manager, and were prepared by GAD in our role advising the scheme manager on the Scheme.

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 – Pre-1 October 2023 transfer in to 2015 Scheme, convert to Pre 2007 Section on rollback

Data from original calculations

Age last birthday	45
Sex	Female
Calculation date	15 April 2020
Original scheme for transfer	2015 Scheme
Amount of CETV received	£50,000.00
Pension received in original scheme (p.a.)	£3,162.06

Other data required

Alternative scheme	Pre 2007 Section
Normal Pension Age in alternative scheme	60
Pensionable earnings (p.a.) at Calculation date	£25,000.00

Factors required for alternative scheme

Factor guidance note	Final salary sections and career average section - Non-club incoming transfers - Factors and guidance, dated 27 October 2019
Factor table	Table 213
Member's pension factor	21.58
Partner's pension factor	1.64
Lump sum factor	1.00

Alternative scheme transfer in benefit

The equivalent Pre 2007 Section service credit for the transfer value received is calculated as:

$$\boldsymbol{Service\ credit} = \frac{£50{,}000.00}{\left(\frac{1}{80} \times 21.58 + \frac{3}{80} \times 1.00 + \frac{1}{160} \times 1.64\right) \times £25{,}000.00}$$

= 6 years 109 days

The formula above is based on that set out in the alternative scheme factor guidance note for calculating the service credit to be awarded on an incoming non-Club transfer.

Example 2 – Pre-1 October 2023 transfer in to 2015 scheme, convert to Post 2007 Section on rollback

Data from original calculations

Age last birthday	51
Sex	Female
Calculation date	15 April 2016
Original scheme for transfer	2015 scheme
Amount of CETV received	£50,000.00
Amount of pre 88 GMP	£150.00
Amount of post 88 GMP	£350.00
Pension received in original scheme (p.a.)	£3,166.77

Other data required

Alternative scheme	Post 2007 Section
Normal Pension Age in alternative scheme	65
Pensionable earnings (p.a.) at Calculation date	£30,000.00

Factors required for alternative scheme

Factor guidance note	Addendum to GAD guidance note "Teachers' Pension Scheme: Final salary section and career average section: Non-Club incoming transfers: Factors and guidance", dated 8 April 2016
Factor table	Table 233
Member's pension factor	17.98
Partner's pension factor	1.03
Pre 88 GMP Factor	-1.21
Post 88 GMP Factor	-3.79

Alternative scheme transfer in benefit

The equivalent Post 2007 Section scheme pension for the transfer value received is calculated as:

$$\boldsymbol{Transferred\ pension} = \frac{£50{,}000.00 + (£150.00 * \text{-}1.21\ \ + £350.00 * \text{-}3.79\ )}{\left(\frac{1}{60} \times 17.98 + \frac{1}{160} \times 1.03\right) \times £30{,}000.00}$$

= 5 years 102 days

This amount is as at the original calculation date.

The formula above is based on that set out in the alternative scheme factor guidance note for calculating the pension to be awarded on an incoming non-Club transfer.

Example 3 – Pre-1 October 2023 transfer in to Pre 2007 Section, convert to 2015 Scheme on election

Data from original calculations

Age last birthday	59
Sex	Male
Calculation date	1 December 2020
Original scheme for transfer	Pre 2007 Section
Amount of CETV received	£50,000.00
Service credit received in original scheme	5 years 192 days

Other data required

Alternative scheme	2015 Scheme
Normal Pension Age in alternative scheme	67
Pensionable earnings (p.a.) at Calculation date	Not required

Factors required

Factor guidance note	Final salary sections and career average section - Non-club incoming transfers - Factors and guidance, dated 27 October 2019
Factor table	Table CA_TVIN67M
Member’s pension factor	16.45
Partner’s pension factor	1.66

Alternative scheme transfer in benefit

The equivalent 2015 Scheme pension for the transfer value received is calculated as:

$$\boldsymbol{Transferred\ pension} = \frac{£50{,}000.00}{\left(16.45 + \frac{3}{8} \times 1.66\right)}$$

= £2,928.69

This amount is as at the original calculation date.

The formula above is based on that set out in the alternative scheme factor guidance note for calculating the pension to be awarded on an incoming non-Club transfer.

Example 4 – Additional payment received for remediable transfer value

Where the non-Club incoming transfer was sent from another reformed public service pension scheme, the scheme manager may accept an additional payment as a result of the sending scheme's McCloud remedy.

Data from original calculations

Age last birthday	58
Sex	Male
Calculation date	15 April 2020
Pensionable earnings (p.a.)	£30,000.00
Original scheme for transfer	Pre 2007 Section
Normal Pension Age	60

Other data required

Top up CETV amount received	£5,000.00

Factors required (in line with factors used for original calculation)

Factor guidance note	Final salary sections and career average section - Non-club incoming transfers - Factors and guidance, dated 27 October 2019
Factor table	Table 203
Member's pension factor	20.47
Partner's pension factor	1.48
Lump sum Factor	0.98

Additional transfer in benefit

The additional Pre 2007 Section service credit for the top up CETV amount is calculated as:

$$\textit{Service credit} = \frac{£5{,}000.00}{\left(\frac{1}{80} \times 20.47 + \frac{3}{80} \times 0.98 + \frac{1}{160} \times 1.48\right) \times £30{,}000.00}$$

= 0 years 202 days

The formula above is based on that set out in the scheme factor guidance note for calculating the service credit to be awarded on an incoming non-Club transfer.

This additional service credit should be treated consistently with the original remediable service credit awarded, and converted to alternative scheme benefits as required in line with the McCloud guidance note (in this case, potential conversion to the reformed scheme on election).