



Government
Actuary's
Department

Teachers' Pension Scheme

Guidance for applying McCloud remedy to non-Club transfers out

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Government Actuary's Department
Neil Crombie

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1. Introduction

- 1.1 This guidance is addressed to the Department for Education (DfE) as scheme manager of the Teachers' Pension Scheme (TPS) (The Schemes) that provides pension and other benefits to teachers in England and Wales. The Schemes include:
 - 1.1.1 "the legacy scheme" which is final salary and has two sections: the NPA60 section (for new entrants who first joined the TPS up to 31 December 2006, with a Normal Pension Age (NPA) of 60) and the NPA65 section (for new entrants who first entered the legacy scheme between 1 January 2007 and 31 March 2015, with an NPA of 65)
 - 1.1.2 "the 2015 scheme" which is the 2015 career average scheme (for existing members of the TPS who transitioned from the legacy scheme to the reformed scheme from 1 April 2015 under the transitional protection arrangements or joined the TPS for the first time after that date). NPA for this scheme is the later of 65 or State Pension Age (SPA).
- 1.2 This guidance has been prepared for the use of the Schemes' administrator 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 section of the legacy scheme and the 2015 scheme, and the approach to determining the remediable transfer value paid.
- 1.4 The results from the calculations set out in this guidance will be used to notify the receiving scheme of the outcome and to determine any additional payments to be made by the Schemes.
- 1.5 This guidance has been prepared in accordance with the following Regulations of SI 2023/871 (The Teachers' Pension Scheme (Remediable Service) Regulations 2023):

Administrative procedure	Regulation(s)	Relevant section of this guidance document
Recalculation of non-Club transfer values paid before 1 October 2023	46(2)	2
Calculation of non-Club transfer values to be paid on or after 1 October 2023	49(2)	3

- 1.6 Remediable rights include any remediable Additional Pension. When calculating the CETV in respect of Additional Pension (AP), calculate the CETV using the same methodology as set out in Sections 2 and 3 of this note, as appropriate. Please refer to our guidance note on Member Voluntary Contributions for more information on how to calculate the amount of AP in the legacy and reformed schemes for use in the CETV calculation.

- 1.7 The guidance provided in this document has been prepared in light of our advice to DfE in the technical bulletin dated 27 September 2023 and its instructions following that advice.
- 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 date of calculation, allowing for any transitional arrangements where revised guidance or factors were being implemented. These include:

Legacy scheme and 2015 scheme

GAD guidance and factors	Issued on	Effective from
Teachers' Pension Scheme Final salary sections and career average section Cash Equivalent Transfer Values (CETVs) Factors and guidance	20 Feb 2015	1 Apr 2015 (CARE) Capita to confirm date (Final salary)
Teachers' Pension Scheme Final salary sections and career average section Cash Equivalent Transfer Values (CETVs) for ages above normal pension age Factors and guidance	14 May 2015	1 Apr 2015
Teachers' Pension Scheme Cash Equivalent Transfer Factors (final salary and career average sections) Addendum to Factors and guidance note dated 20 Feb 2015 Updated factors tables	8 Apr 2016	16 Mar 2016
TPS (EW) – revised CETV factors	9 Nov 2018	29 Oct 2018
Teachers' Pension Scheme Final salary sections and career average section Cash Equivalent Transfer Values (CETVs) Factors and guidance	27 Oct 2019	29 Oct 2018
Teachers' Pension Scheme Final salary sections and career average section Cash Equivalent Transfer Values (CETVs) for ages above normal pension age Factors and guidance	27 Oct 2019	29 Oct 2018

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

Exclusions

- 1.10 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.
- 1.11 This guidance only applies for members of the Schemes who fall under 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.
- 1.12 Nothing in this guidance should be read as overriding the regulations which govern the Schemes.
- 1.13 This guidance does not apply for bulk transfers and transfers under the Public Sector Transfer Club.

Implementation

- 1.14 This guidance should be used with effect from 1 October 2023.
- 1.15 This guidance has been written for the scheme manager and scheme administrator 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, we suggest that some example calculations are sent to GAD for review. Alternatively, GAD can provide examples illustrating example calculations for this guidance note, if requested.

Compliance and limitations

- 1.18 This guidance has been prepared for the use of DfE and the scheme administrator for the purpose of applying the McCloud remedy to non-Club transfers paid by the Schemes. This guidance may be published on DfE and the scheme administrator'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 DfE and the scheme administrator, 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 before 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.

Value of remediable rights under legacy and 2015 schemes

- 2.2 The value of the member's remediable rights must be calculated as if they were secured in the member's relevant section of the legacy scheme and the 2015 scheme. These values should then be compared to the remediable transfer value paid, to determine whether an additional payment is due.
- 2.3 These calculations must be carried out at the same effective date as the original CETV calculation. The subsequent results may then be used to notify the receiving scheme of the results of the calculation.
- 2.4 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 = Transfer value calculated in respect of remedy period benefits where the remediable rights are treated as having been secured in the relevant section of the legacy scheme

- 2.5 The above calculation should be carried out as at the effective date of the original calculation and allowing for remedy period benefits only.
- 2.6 The transfer value should be determined using the relevant legacy scheme guidance and factors as set out in paragraph 1.8.
- 2.7 This calculation will require the following information:
- Relevant section of the legacy scheme
 - 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 survivor'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 section of the legacy scheme
 - Any additional purchased benefits (e.g. added pension). The additional benefits will need to be treated as if they had been secured in the relevant section of the legacy scheme
 - Where the relevant section of the legacy scheme was the NPA 60 section, the member's automatic deferred lump sum at the effective date of original calculation, in respect of remedy period service only, allowing for the member's remediable rights being secured in the NPA 60 section.

- 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 = Transfer value calculated in respect of remedy period benefits where the remediable rights are treated as having been secured in the 2015 scheme

- 2.8 The above calculation should be carried out as at the effective date of the original calculation and allowing for remedy period benefits only.
- 2.9 The transfer value should be determined using the 2015 scheme guidance and factors as set out in paragraph 1.8.
- 2.10 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)
 - Any additional purchased benefits (e.g. added pension). The additional benefits will need to be treated as if they had been secured in the 2015 scheme
 - The member's deferred pension and survivor's pension, at the effective date of original calculation, in respect of remedy period benefits only, allowing for 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

- 2.11 Once both the legacy scheme and 2015 scheme transfer values have been calculated, the higher of the two is compared to the remediable transfer value paid. 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 = Transfer value calculated in respect of remedy period benefits where the remediable rights are in line with those accrued by the member

- 2.12 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.
- 2.13 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.

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- 2.14 For protected members, the remediable transfer value paid is equal to the remediable transfer value under the relevant legacy scheme as calculated above.
- 2.15 For unprotected members, the remediable transfer value paid is equal to the remediable transfer value under the 2015 scheme as calculated above.

3. Calculating non-Club transfer values to be paid on or after 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 The approach will require calculation of two transfer values as set out above:
- assuming the benefits earned in the remedy period were in the relevant section of the legacy scheme; and separately
 - assuming the benefits earned in the remedy period were in the 2015 scheme.
- 3.3 The remediable transfer value should be the higher of the two amounts calculated and this should be reflected in the total transfer value to be paid from the Schemes.