Government Actuary's Department

Northern Ireland Teachers' Pension Schemes

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

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 non-Club transfers out* guidance note, dated 20 December 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 non-Club transfers out depend on calculating non-Club transfers out from the legacy schemes and the reformed scheme. Guidance and examples on these calculations are set out in non-Club transfers out guidance notes for those schemes, as referenced in the *McCloud guidance note*.

This document includes:

- Example 1 – Pre-1 October 2023 CETV, all transferred benefits were Pre-2007 Section benefits
- Example 2 – Pre-1 October 2023 CETV, transferred remedy period benefits included a mix of Pre-2007 Section and 2015 Scheme benefits
- Example 3 – Pre-1 October 2023 CETV, all transferred remedy period benefits were 2015 Scheme benefits, alternative scheme is Pre-2007 Section
- Example 4 – Post-1 October 2023 CETV

Compliance and limitations

These examples have been prepared for use by the scheme manager and scheme administrator of the Northern Ireland Teachers' Pension Schemes (the Scheme) for the purpose of applying the McCloud remedy to non-Club transfers out paid 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.

Andrew McGlashon

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Example 1 – Pre-1 October 2023 CETV, all transferred benefits were Pre-2007 Section benefits

Data from original calculations

Age last birthday	57
Sex	Male
Calculation date	1 December 2019
Legacy scheme	Pre-2007 Section
Amount of deferred pension	£5,600.00
Amount of deferred survivor pension	£2,800.00
Amount of lump sum	£16,800.00
Amount of NI modification	£0.00
Original CETV calculated	£130,928.00

Data required for remedy calculations

The benefit amounts and original CETV calculated shown above are in respect of all of the member's transferred benefits. 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	Pre-2007 Section	2015 Scheme
Normal Pension Age	60	67
Deferred pension	£1,800.00 P^L	£2,500.00 P^R
Deferred survivor pension	£900.00 S^L	£937.50 S^R
Deferred lump sum	£5,400.00 LS^L	n/a
NI modification	£0.00 NI^L	£0.00 NI^R

In addition, information on the actual benefit amounts accrued in the remedy period in each scheme, as allowed for in the original calculations, is required. In this case the actual benefits accrued in the remedy period are equal to the 'legacy scheme' benefits above.

Factors required

The following table sets out the factors that would apply to the CETV calculation if it were to be calculated under the legacy scheme and the reformed scheme respectively. These are based on the factors effective at the original calculation date. Further information on the relevant factors to adopt are set out in the referenced guidance notes.

	Legacy scheme	Reformed scheme
Scheme	Pre-2007 Section	2015 Scheme
Factor guidance note	Cash equivalent transfer values (CETVs) - Factors and guidance, dated 2 February 2020	Cash equivalent transfer values (CETVs) - Factors and guidance, dated 2 February 2020
Factor table	Table 103	Table 163
Member's pension factor	19.83 $F^{P\_L\_60}$	13.85 $F^{P\_R\_67}$
Partner's pension factor	1.46 $F^{S\_L\_60}$	1.51 $F^{S\_R\_67}$
Lump sum factor	0.94 $F^{LS\_L\_60}$	n/a
NI modification factor	13.48 $F^{NI\_L\_60}$	13.48 $F^{NI\_L\_67}$
Years to PNPA (rounded up)	n/a	na

Remediable transfer value under the relevant legacy scheme

The CETV value of the member's remediable rights must be calculated as if they were secured in the member's relevant legacy scheme:

Legacy scheme transfer value =

$= P^L \times F^{P\_L\_60} + S^L \times F^{S\_L\_60} + LS^L \times F^{LS\_L\_60} – NI^L \times F^{NI\_L\_60}$

= £1,800.00 x 19.83 + £900.00 x 1.46 + £5,400.00 x 0.94 – £0.00 x 13.48

= £42,084.00

Remediable transfer value under the reformed scheme

The CETV value of the member's remediable rights must be calculated as if they were secured in the reformed scheme:

2015 Scheme transfer value =

$= (P^R \times F^{P\_R\_67} + S^R \times F^{S\_R\_67} - NI^R \times F^{NI\_L\_67})$

= (£2,500.00 x 13.85 + £937.50 x 1.51 - £0.00 x 13.48) = £36,040.63

Value of remediable transfer value paid

The remediable transfer value paid needs to be calculated, i.e. the part of the transfer value paid which relates to benefits accrued in the remedy period.

All of the member's remedy period benefits were accrued in the legacy scheme. Therefore, the remediable transfer value paid is equal to the Remediable transfer value under the relevant legacy scheme as calculated above, i.e. £42,084.00.

Remedy amount

The higher of the remediable transfer value under the legacy scheme and the remediable transfer value under the 2015 Scheme is compared to the value of the remediable transfer value paid to determine whether any additional payment is due, i.e.

Additional CETV following remedy = Max (£42,084.00, £36,040.63) – £42,084.00 = £0.00

This amount is calculated as at 1 December 2019. The relevant legislation sets out what the administrator must do with this additional CETV (including the application of interest as appropriate).

Example 2 – Pre-1 October 2023 CETV, transferred remedy period benefits included a mix of Pre-2007 Section and 2015 Scheme benefits

Data from original calculations

Age last birthday	55
Sex	Female
Calculation date	1 January 2020
Legacy scheme	Pre-2007 Section
Reformed scheme	2015 Scheme
Amount of deferred pension (legacy)	£6,000.00
Amount of deferred survivor pension (legacy)	£3,000.00
Amount of lump sum (legacy)	£18,000.00
Amount of NI modification (legacy)	£0.00
Amount of deferred pension (reformed)	£2,600.00
Amount of deferred survivor pension (reformed)	£975.00
Original CETV calculated	£169,963.00

Data required for remedy calculations

The benefit amounts and original CETV calculated shown above are in respect of all of the member’s transferred benefits. 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	Pre-2007 Section	2015 Scheme
Normal Pension Age	60	67
Deferred pension	£2,650.00 P^L	£3,700.00 P^R
Deferred survivor pension	£1,325.00 S^L	£1,387.50 S^R
Deferred lump sum	£7,950.00 LS^L	n/a
NI modification	£0.00 NI^L	n/a

In addition, information on the actual benefit amounts accrued in the remedy period in each scheme, as allowed for in the original calculations, is required:

Actual benefits earned in remedy period	Pre-2007 Section	2015 Scheme
Deferred pension	£750.00 P^{Actual_L}	£2,600.00 P^{Actual_R}
Deferred survivor pension	£375.00 S^{Actual_L}	£975.00 S^{Actual_R}
Deferred lump sum	£2,250.00 LS^{Actual_L}	n/a
NI modification	£0.00 NI^{Actual_L}	£0.00 NI^{Actual_R}

Factors required

The following table sets out the factors that would apply to the CETV calculation if it were to be calculated under the legacy scheme and the reformed scheme respectively. These are based on the factors effective at the original calculation date. Further information on the relevant factors to adopt are set out in the referenced guidance notes.

	Legacy scheme	**Reformed scheme**
Scheme	Pre-2007 Section	2015 Scheme
Factor guidance note	Cash equivalent transfer values (CETVs) - Factors and guidance, dated 2 February 2020	Cash equivalent transfer values (CETVs) - Factors and guidance, dated 2 February 2020
Factor table	Table 113	Table 173
Member's pension factor	18.93 $F^{P\_L\_60}$	13.25 $F^{P\_R\_67}$
Partner's pension factor	1.43 $F^{S\_L\_60}$	1.48 $F^{S\_R\_67}$
Lump sum factor	0.90 $F^{LS\_L\_60}$	n/a
NI modification factor	13.72 $F^{NI\_L\_60}$	13.72 $F^{NI\_L\_67}$
Years to PNPA (rounded up)	n/a	n/a

Remediable transfer value under the relevant legacy scheme

The CETV value of the member's remediable rights must be calculated as if they were secured in the member's relevant legacy scheme:

Legacy scheme transfer value =

$= P^L \times F^{P\_L\_60} + S^L \times F^{S\_L\_60} + LS^L \times F^{LS\_L\_60} – NI^L \times F^{NI\_L\_60}$

= £2,650.00 x 18.93 + £1,325.00 x 1.43 + £7,950.00 x 0.90 – £0.00 x 13.72

= £59,214.25

Remediable transfer value under the reformed scheme

The CETV value of the member's remediable rights must be calculated as if they were secured in the reformed scheme:

2015 Scheme transfer value =

$= (P^R \times F^{P\_R\_67} + S^R \times F^{S\_R\_67} - NI^R \times F^{NI\_L\_67})$

= (£3,700.00 x 13.25 + £1,387.50 x 1.48 - £0.00 x 13.72) = £51,078.50

Value of remediable transfer value paid

The remediable transfer value paid needs to be calculated, i.e. the part of the transfer value paid which relates to benefits accrued in the remedy period.

The member had both Pre-2007 Section and 2015 Scheme benefits in the remedy period. Therefore the remediable transfer value paid needs to be calculated allowing for the part of the remedy period in relation to legacy scheme benefits and the part of the remedy period in relation to reformed scheme benefits as follows.

Portion of remediable transfer value paid (legacy) =

$= P^{Actual\_L} \times F^{P\_L\_60} + S^{Actual\_L} \times F^{S\_L\_60} + LS^{Actual\_L} \times F^{LS\_L\_60} - NI^{Actual\_L} \times F^{NI\_L\_60}$

= £750.00 x 18.93 + £375.00 x 1.43 + £2,250.00 x 0.90 – £0.00 x 13.72

= £16,758.75

Portion of remediable transfer value paid (reformed) =

$= (P^{Actual\_R} \times F^{P\_R\_67} + S^{Actual\_R} \times F^{S\_R\_67} - NI^{Actual\_R} \times F^{NI\_L\_67})$

= (£2,600.00 x 13.25+£975.00 x 1.48 - £0.00 x 13.72)

= £35,893.00

Total remediable transfer value paid = £16,758.75 + £35,893.00

= £52,651.75

Remedy amount

The higher of the remediable transfer value under the legacy scheme and the remediable transfer value under the 2015 Scheme is compared to the value of remediable transfer value paid to determine whether any additional payment is due, i.e.

Max (£59,214.25, £51,078.50) – £52,651.75 = £6,562.50

This amount is calculated as at 1 January 2020. The relevant legislation sets out what the administrator must do with this additional CETV (including the application of interest as appropriate).

Example 3 – Pre-1 October 2023 CETV, all transferred remedy period benefits were 2015 Scheme benefits, alternative scheme is Pre-2007 Section

Data from original calculations

Age last birthday	50
Sex	Male
Calculation date	30 November 2018
Amount of deferred pension – Pre-2007 Section	£7,000.00
Amount of deferred survivor pension – Pre-2007 Section	£3,500.00
Amount of lump sum (legacy)	£21,000.00
Amount of deferred pension – 2015 Scheme	£5,600.00
Amount of deferred survivor pension – 2015 Scheme	£2,100.00
Total amount of deferred pension	£12,600.00
Total amount of deferred survivor pension	£5,600.00
Original CETV calculated	£209,111.00

Data required for remedy calculations

The benefit amounts and original CETV calculated shown above are in respect of all of the member's transferred benefits. 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	Pre-2007 Section	2015 Scheme
Normal Pension Age	60	67
Deferred pension	£4,000.00	£5,600.00 P^R

	P^L	
Deferred survivor pension	£2,000.00 S^L	£2,100.00 S^R
Deferred lump sum	£12,000.00 LS^L	n/a
NI modification	£0.00 NI^L	£0.00 NI^R

In addition, information on the actual benefit amounts accrued in the remedy period in each scheme, as allowed for in the original calculations, is required. In this case the actual benefits accrued in the remedy period are equal to the ‘reformed scheme’ benefits above.

Factors required

The following table sets out the factors that would apply to the CETV calculation if it were to be calculated under the legacy scheme and the reformed scheme respectively. These are based on the factors effective at the original calculation date. Further information on the relevant factors to adopt are set out in the referenced guidance notes.

	Legacy scheme	**Reformed scheme**
Scheme	Pre-2007 Section	2015 Scheme
Factor guidance note	Cash equivalent transfer values (CETVs) - Factors and guidance, dated 2 February 2020	Cash equivalent transfer values (CETVs) - Factors and guidance, dated 2 February 2020
Factor table	Table 103	Table 163
Member’s pension factor	16.89 $F^{P\_L\_60}$	11.87 $F^{P\_R\_67}$
Partner’s pension factor	1.34 $F^{S\_L\_60}$	1.39 $F^{S\_R\_67}$
Lump sum factor	0.80 $F^{LS\_L\_60}$	n/a
NI modification factor	11.03 $F^{NI\_L\_60}$	11.03 $F^{NI\_L\_67}$
Years to PNPA (rounded up)	n/a	n/a

Remediable transfer value under the relevant legacy scheme

The CETV value of the member’s remediable rights must be calculated as if they were secured in the member’s relevant legacy scheme:

Legacy scheme transfer value =

$= P^{L} \times F^{P\_L\_60} + S^{L} \times F^{S\_L\_60} + LS^{L} \times F^{LS\_L\_60} – NI^{L} \times F^{NI\_L\_60}$

= £4,000.00 x 16.89 + £2,000.00 x 1.34 + £12,000.00 x 0.80 – £0.00 x 11.03

= £79,840.00

Remediable transfer value under the reformed scheme

The CETV value of the member's remediable rights must be calculated as if they were secured in the reformed scheme:

2015 Scheme transfer value =

$= (P^{R} \times F^{P\_R\_67} + S^{R} \times F^{S\_R\_67} - NI^{R} \times F^{NI\_L\_67})$

= (£5,600.00 x 11.87 + £2,100.00 x 1.39 - £0.00 x 11.03)

= £69,391.00

Value of remediable transfer value paid

The remediable transfer value paid needs to be calculated, i.e. the part of the transfer value paid which relates to benefits accrued in the remedy period.

All of the member's remedy period benefits were accrued in 2015 Scheme. Therefore, the remediable transfer value is equal to the Remediable transfer value under the reformed scheme as calculated above, i.e. £69,391.00.

Remedy amount

The higher of the remediable transfer value under the legacy scheme and the remediable transfer value under the 2015 Scheme is compared to the value of remediable transfer value paid to determine whether any additional payment is due, i.e.

Max (£79,840.00, £69,391.00) – £69,391.00 = £10,449.00

This amount is calculated as at 30 November 2018. The relevant legislation sets out what the administrator must do with this additional CETV (including the application of interest as appropriate).

Example 4 – Post-1 October 2023 CETV

Member data

Age last birthday	58
Sex	Male
Calculation date	1 April 2024
Relevant legacy scheme	Pre-2007 Section
Reformed scheme	2015 Scheme

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	Pre-2007 Section	2015 Scheme
Normal Pension Age	60	67
Deferred pension	£2,800.00 P^L	£4,100.00 P^R
Deferred survivor pension	£1,400.00 S^L	£1,537.50 S^R
Deferred lump sum	£8,400.00 LS^L	n/a
NI modification	£0.00 NI^L	£0.00 NI^R

Factors required

The following table sets out the factors that would apply to the CETV calculation if it were to be calculated under the legacy scheme and the reformed scheme respectively. These are based on the factors effective at the calculation date. Further information on the relevant factors to adopt are set out in the referenced guidance notes.

	Legacy scheme	**Reformed scheme**
Scheme	Pre-2007 Section	2015 Scheme
Factor guidance note	Cash equivalent transfer values (CETVs) - Factors and guidance, dated 2 February 2020	Cash equivalent transfer values (CETVs) - Factors and guidance, dated 2 February 2020
Effective factors (date of issue)	26 May 2023	26 May 2023
Factor table	Table 103	Table 163
Member's pension factor	22.21 $F^{P\_L\_60}$	15.88 $F^{P\_R\_67}$
Partner's pension factor	1.80 $F^{S\_L\_60}$	1.89 $F^{S\_R\_67}$
Lump sum factor	0.98 $F^{LS\_L\_60}$	n/a
NI modification factor	0.00 $F^{NI\_L\_60}$	0.00 $F^{NI\_L\_67}$
Years to PNPA (rounded up)	n/a	n/a

Remediable transfer value under the relevant legacy scheme

The CETV value of the member's remediable rights must be calculated as if they were secured in the member's relevant legacy scheme:

Legacy scheme transfer value =

$= P^L \times F^{P\_L\_60} + S^L \times F^{S\_L\_60} + LS^L \times F^{LS\_L\_60} - NI^L \times F^{NI\_L\_60}$

= £2,800.00 x 22.21 + £1,400.00 x 1.80 + £8,400.00 x 0.98 – £0.00 x 0.00

= £72,940.00

Remediable transfer value under the reformed scheme

The CETV value of the member's remediable rights must be calculated as if they were secured in the reformed scheme:

2015 Scheme transfer value =

$= (P^{R} \times F^{P\_R\_67} + S^{R} \times F^{S\_R\_67} - NI^{R} \times F^{NI\_L\_67})$

= (£4,100.00 x 15.88 + £1,537.50 x 1.89 - £0.00 x 0.00)

= £68,013.88

Remedy amount

Higher of remediable transfer values = Max (£72,940.00, £68,013.88) = £72,940.00

The higher of the remediable transfer value under the legacy scheme and the remediable transfer value under the 2015 Scheme should be included in the total transfer value to be paid (alongside the transfer value for benefits accrued before and after the remedy period).