Government Actuary's Department

Northern Ireland Teachers' Pension Scheme

McCloud guidance examples – applying McCloud remedy to prospective divorce cases

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Government Actuary's Department

Contents

Introduction

These examples are provided to demonstrate the calculations set out in the Pension Sharing on Divorce for McCloud members: Initial Cash Equivalent Value calculation on or after 1 October 2023 – "Prospective – full guidance" (the McCloud guidance note) dated 1 October 2025. These examples should be read in conjunction with that guidance note.

These examples on applying McCloud remedy to prospective divorce depend on carrying out divorce calculations in respect of benefits in the legacy schemes and the reformed scheme. Guidance and examples on these calculations are set out in divorce guidance notes for those schemes, as referenced in the McCloud guidance note.

These examples cover Tranche 2 benefits only (as defined in the McCloud guidance note). Tranche 1 and Tranche 3 calculations should be carried out in addition as required.

All of the examples in this document refer to:

- For cash equivalent calculations:
    - Final salary sections and career average section - Cash equivalents on divorce: Factors and guidance dated 2 February 2020
    - Where the examples are in respect of non-pensioners, the above guidance notes may require a cash equivalent transfer value to be calculated. These calculations are described in the relevant cash equivalent transfer value guidance.
    - The cash equivalent factors issued 26 May 2023 in the consolidated factor spreadsheet
- For pension credit calculations:
    - Final salary sections and career average section - Pension Credits on Divorce: Factors and guidance dated 2 February 2020
    - The pension credit factors issued 26 May 2023 in the consolidated factor spreadsheet

For the purposes of these examples, we have used factors in force at the date of drafting these examples. In practice, the factors in force at the valuation day should be used.

Compliance and limitations

These examples have been prepared for use by the scheme manager and scheme administrator of the Northern Ireland Teachers' Pension Scheme for the purpose of applying the McCloud remedy to prospective divorce cases. They were commissioned by the scheme manager, and were prepared by GAD in our role advising the scheme manager on the Northern Ireland Teachers' Pension 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 – Active remedy member with no final McCloud choice (throughout divorce), legacy annex received

The following scenario is considered in this example:

Remedy choice:	**Not known by initial CEV date or Transfer day**
Member status:	**Active (at initial CEV date and Transfer day)**
Contribution adjustment:	**None required**
PSO received:	**Legacy annex only**

Member data required

Status	Active
Initial CEV calculation date	1 April 2025
Member's age at initial CEV calculation date	50

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	Pre2007 Section	2015 Scheme
Normal pension age	60	67
Pension	£2,600.00	£3,700.00
Lump sum	£7,800.00	n/a
Survivor pension	£1,300.00	£1,387.50
NI modification	£0.00	£0.00

Calculation of initial CEVs for PSO determination

For the purposes of calculating a CEV for divorce, this active member is treated as if they are a deferred member whose last day was the day before the calculation date. Since the member has not made their remedy choice, Section 2A of the McCloud guidance note applies.

Step 1 – Calculation of Cash Equivalent Value Legacy (CEVL)

Service period	Scheme	Calculation method	Value (CEVL)
Tranche 2 (Legacy scheme)	Pre2007 Section	Applying the legacy scheme cash equivalent guidance to the benefits shown above 'If accrued in legacy scheme' Factors from Table 103 (Table 202 in consolidated factor spreadsheet)	£59,605.00

Step 2 – Calculation of Cash Equivalent Value Reformed (CEVR)

Service period	Scheme	Calculation method	Value (CEVR)
Tranche 2 (Reformed scheme)	2015 Scheme	Applying the reformed scheme cash equivalent guidance to the benefits shown above 'If accrued in reformed scheme' Factors from Table 163a (Table 211 in consolidated factor spreadsheet)	£54,459.38

Step 3 – Calculation of Remediable Cash Equivalent Value (RCEV)

RCEV = Maximum (CEVL, CEVR + ContAdjR)

= Maximum (£59,605.00, £54,459.38 + £0.00)

= £59,605.00

In this example, no contribution adjustment is required and so ContAdjR is zero.

The RCEV should be added with the Tranche 1 CEV to be quoted as the total cash equivalent value of the member's benefit from the relevant legacy scheme. The Tranche 3 CEV is to be quoted as the cash equivalent value of the member's benefit from the reformed scheme.

Calculations of the value of shareable rights

Assume the court issues a PSO as follows:

Pre2007 Section	35.00% share
2015 Scheme	45.00% share

As the PSO contains an annex which relates to the legacy scheme, further calculations are required to determine the resulting pension credit and pension debit amounts.

Step 1 – Calculation of Recalculated Remediable Cash Equivalent Value (RRCEV)

The administrator should re-calculate the member's pension benefits and CEV for each tranche of benefits at the valuation day, with transfer day as the calculation date. For the purpose of this example, we have assumed the same CEV figures as calculated above; in practice, the re-calculations will not result in the same figures as quoted to the court for PSO determination.

RRCEV = £59,605.00

Step 2 – Calculation of Remediable Ex-partner Cash Equivalent Value (RPCEV)

RPCEV = RRCEV x legacy scheme PSO%

= £59,605.00 x 35.00%

= £20,861.75

This should be combined with the shareable rights for Tranche 1 as the total shareable rights for the legacy scheme, and the shareable rights for Tranche 3 are the total shareable rights for the reformed scheme.

Calculation of the pension credit

Step 1 – Calculation of the remediable pension credit

This should be calculated using the RPCEV set out above.

Service period	Payable from	Calculation method	Ex-partner pension credit amounts
Tranche 2	Pre2007 Section	Applying the legacy scheme pension credit guidance The Normal Pension Age for the ex-spouse is 60 Factors from Table 413 (Table x-316 in the consolidated factor spreadsheet), assuming the ex-spouse is Female and is age 48 at the transfer day	• Pension of **£1,000.08 p.a.** • Lump sum of **£3,000.25**

This should be combined with the pension credit for Tranche 1 as the total pension credit in the legacy scheme, and the pension credit for Tranche 3 is the total pension credit in the reformed scheme.

Calculation of the pension debit

For the purposes of this example, this member has not retired or made an irrevocable McCloud remedy choice by the PSO transfer day, therefore Section 5A of the McCloud guidance note applies.

Details of the pension debits as they apply under the legacy scheme and as they apply under the reformed scheme are required.

Service period	Pension debit amounts
Tranche 2 (Legacy scheme)	Based on benefits shown above ‘If accrued in legacy scheme’ • Member’s pension debit = 35.00% x £2,600.00 = **£910.00 p.a.** • Lump sum debit = 35.00% x £7,800.00 = **£2,730.00** • Survivor’s pension debit = 35.00% x £1,300.00 = **£455.00 p.a.**
Tranche 2 (Reformed scheme)	Based on benefits shown above ‘If accrued in reformed scheme’ • Member’s pension debit = 35.00% x £3,700.00 = **£1,295.00 p.a.** • Survivor’s pension debit = 35.00% x £1,387.50 = **£485.63 p.a.**

Both sets of debit calculations in respect of the remediable service should be recorded on the administration system and revaluation should apply to both as usual. Pension debits in respect of Tranche 1 and Tranche 3 benefits should be calculated as normal.

Example 2 – Active remedy member with no final McCloud choice, reformed annex received

The following scenario is considered in this example:	
Remedy choice:	**Not known by initial CEV date**
Member status:	**Active**
Contribution adjustment:	**None required**
PSO received:	**Reformed annex only**

Member data required

Status	Active
Initial CEV calculation date	1 October 2026
Member's age at initial CEV calculation date	59

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	Post2007 Section	2015 Scheme
Normal pension age	65	67
Pension	£4,100.00	£4,300.00
Lump sum	n/a	n/a
Survivor pension	£1,537.50	£1,612.50
NI modification	£0.00	£0.00

Calculation of initial CEVs for PSO determination

For the purposes of calculating a CEV for divorce, this active member is treated as if they are a deferred member whose last day was the day before the calculation date. Since the member has not made their remedy choice, Section 2A of the McCloud guidance note applies.

Step 1 – Calculation of Cash Equivalent Value Legacy (CEVL)

Service period	Scheme	Calculation method	Value (CEVL)
Tranche 2 (Legacy scheme)	Post2007 Section	Applying the legacy scheme cash equivalent guidance to the benefits shown above 'If accrued in legacy scheme' Factors from Table 133a (Table 205 in consolidated factor spreadsheet)	£76,224.13

Step 2 – Calculation of Cash Equivalent Value Reformed (CEVR)

Service period	Scheme	Calculation method	Value (CEVR)
Tranche 2 (Reformed scheme)	2015 Scheme	Applying the reformed scheme cash equivalent guidance to the benefits shown above 'If accrued in reformed scheme' Factors from Table 173a (Table 213 in consolidated factor spreadsheet)	£72,465.75

Step 3 – Calculation of Remediable Cash Equivalent Value (RCEV)

RCEV = Maximum (CEVL, CEVR + ContAdjR)

= Maximum (£76,224.13, £72,465.75 + £0.00)

= £76,224.13

In this example, no contribution adjustment is required and so ContAdjR is zero.

The RCEV should be added with the Tranche 1 CEV to be quoted as the total cash equivalent value of the member's benefit from the relevant legacy scheme. The Tranche 3 CEV is to be quoted as the cash equivalent value of the member's benefit from the reformed scheme.

Calculations of the value of shareable rights

Assume the court issues a PSO as follows:

2015 Scheme	65.00% share

In this case, no Post2007 Section benefits are to be shared.

As the PSO does not contain an annex which relates to the legacy scheme, no benefits in the remedy period are shareable.

The administrator should proceed in the usual way and consider Tranche 3 benefits only. No further calculations are required in respect of Tranche 1 or Tranche 2 benefits.

Example 3 – Pensioner remedy member with known final McCloud choice, legacy annex received

The following scenario is considered in this example:

Remedy choice:	**Known by initial CEV date**
Member status:	**Pensioner**
Contribution adjustment:	**Not required**
PSO received:	**Legacy annex only**

Member data required

Status	Pensioner
Initial CEV calculation date	1 January 2024
Member's age at initial CEV calculation date	61
Scheme selected for remedy period	Legacy

Data required for remedy calculations

Information on the benefits payable to the member in respect of the remedy period is required. As it is known that the member has elected for legacy scheme benefits, only details of the legacy scheme benefits are required.

Remedy period benefits	
Scheme	Post2007 Section
Pension	£3,500.00
Lump sum	n/a
Survivor pension	£1,312.50
Pre 88 GMP	£0.00
Post 88 GMP	£0.00

Calculation of initial CEVs for PSO determination

This member is an immediate choice pensioner who has made an irrevocable McCloud remedy choice. Section 2B of the McCloud guidance note applies.

Step 1 – Calculation of Remediable Cash Equivalent Value (RCEV)

Service period	Scheme	Calculation method	Value (RCEV)
Tranche 2 (Legacy scheme)	Post2007 Section	Applying the legacy scheme cash equivalent guidance to the benefits shown above Factors from Table 313 (Table 302 in consolidated factor spreadsheet)	£78,763.13

The RCEV should be added with the Tranche 1 CEV to be quoted as the total cash equivalent value of the member's benefit from the relevant legacy scheme. The Tranche 3 CEV is to be quoted as the cash equivalent value of the member's benefit from the reformed scheme.

Calculations of the value of shareable rights

Assume the court issues a PSO as follows:

Post2007 Section	65.00% share

As the PSO contains an annex which relates to the legacy scheme, further calculations are required to determine the resulting pension credit and pension debit amounts.

Step 1 – Calculation of Recalculated Remediable Cash Equivalent Value (RRCEV)

The administrator should re-calculate the member's pension benefits and CEV for each tranche of benefits at the valuation day, with transfer day as the calculation date. For the purpose of this example, we have assumed the same CEV figures as calculated above; in practice, the re-calculations will not result in the same figures as quoted to the court for PSO determination.

RRCEV = £78,763.13

Step 2 – Calculation of Remediable Ex-partner Cash Equivalent Value (RPCEV)

RPCEV = RCEV x legacy scheme PSO%

= £78,763.13 x 65.00%

= £51,196.03

This should be combined with the shareable rights for Tranche 1 as the total shareable rights for the legacy scheme. As there is no reformed scheme annex, there are no shareable rights for the reformed scheme.

Calculation of the pension credit

Step 1 – Calculation of the remediable pension credit

This should be calculated using the RPCEV set out above.

Service period	Payable from	Calculation method	Ex-partner pension credit amounts
Tranche 2 (legacy scheme)	Post2007 Section	Applying the legacy scheme pension credit guidance The Normal Pension Age for the ex-spouse is 65 Factors from Table 423 (Table 317 in the consolidated factor spreadsheet), assuming the ex-spouse is Male and is age 60 at the transfer day	• Pension of **£2,902.27 p.a.**

This should be combined with the pension credit for Tranche 1 as the total pension credit in the legacy scheme. As there is no reformed scheme annex, there is no pension credit to apply in the reformed scheme.

Calculation of the pension debit

As this member has made an irrevocable McCloud remedy choice by the PSO transfer day, Section 5B of the prospective divorce McCloud guidance applies.

One pension debit calculation should be carried out for Tranche 2:

Service period	Pension debit amounts
Tranche 2	Based on benefits shown above 'Accrued in legacy scheme' • Member's pension debit = 65.00% x £3,500.00 = **£2,275.00 p.a.** • Survivor pension debit = 65.00% x £1,312.50 = **£853.13 p.a.**

The debit calculation in respect of the remediable service should be recorded on the administration system and revaluation should apply as usual. A pension debit in respect of Tranche 1 should be calculated as normal. As there is no reformed scheme annex, there is no pension debit to apply in the reformed scheme.