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Northern Ireland Teachers' Pension Scheme

McCloud guidance examples – applying McCloud remedy to retrospective divorce cases using Retrospective guidance R

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Government Actuary's Department

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Contents

Introduction

These examples have been prepared for use by the scheme administrator to demonstrate the calculations set out in the Pension Sharing on Divorce for McCloud members: Transfer day before 1 October 2023 – “Retrospective full guidance R”, dated 1 October 2025 (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 retrospective 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 Pension Sharing on Divorce for McCloud members: Transfer day before 1 October 2023 – "Retrospective full guidance" - Introductory note, dated 1 October 2025.

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.

The examples refer to the following terminology, in line with those set out in the McCloud guidance note:

For remediable service		
	Stands for	Relates to
Init_CEV	Initial Cash Equivalent Value	PDM
Init_PCEV	Initial Ex-Partner Cash Equivalent Value	PCM
Alt_CEV	Alternative Cash Equivalent Value	PDM
Alt_UpayAdj	Alternative Underpayment Adjustment	PDM (Group 2 only)
Alt_ContAdj	Alternative Contribution Adjustment	PDM
Alt_PCEV	Alternative Ex-Partner Cash Equivalent Value	PCM
RCredAdj	Remediable Credit Adjustment	PCM

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 retrospective 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 should be used for illustrative purposes, and represent simplified member examples. Administrators should continue to calculate legacy and reformed pension benefits for each member from first principles to feed into remedy calculations.

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 – Unprotected member, reformed annex only, no RCredAdj

The following scenario is considered in this example:

Status at transfer day:	**Active**
Protection status:	**Unprotected**
Contribution adjustment:	**None required**
PSO received:	**Reformed annex only**

Member data required

Date of birth	1 November 1971
Valuation day	30 September 2022
Transfer day	1 October 2021
Member's age at transfer day	49
Ex-spouse's date of birth	1 June 1976
Ex-spouse's age at transfer day	45
Details of PSO annex	Reformed annex: 20%

Data required for remedy calculations

Information on the benefits earned by the member in the shareable remedy period as if they were earned only in the legacy scheme and only in the reformed scheme is required:

Shareable remedy period benefits	If accrued in legacy scheme	If accrued in reformed scheme
Scheme	NPA60 Section	2015 Scheme
Normal pension age	60	67
Pension	£2,600.00	£4,200.00
Survivor pension	£1,300.00	£1,575.00
Lump sum	£7,800.00	n/a

Benefit amounts are as at the transfer day.

Calculations required

Step 1 – Calculation of Initial Cash Equivalent Value (Init_CEV)

As the member was an unprotected member, we know the CEV used to implement the PSO for remediable service relates only to 2015 Scheme style benefits.

Therefore **Init_CEV** is:

Service period	Scheme	Calculation method	Value (CEV)
Tranche 2 (up to transfer day)	2015 Scheme	Reformed scheme guidance Cash equivalents on divorce - Factors and Guidance dated 2 February 2020 Table 163 (Table 211 in the consolidated factors workbook) from the guidance note 'Cash equivalent transfer values (CETVs)' dated 2 February 2020	£50,961.75

Step 2 – Calculation of Initial Ex-Partner Cash Equivalent Value (Init_PCEV)

The value of the shareable rights credited to the PCM which relates to the shareable remediable service only is as follows:

Init_PCEV = Init_CEV x reformed scheme PSO%

= £50,961.75 x 20%

= £10,192.35

Step 3 – Calculation of Alternative Cash Equivalent Value (Alt_CEV)

Based on the benefits the member would have accrued in the shareable remedy period in the legacy scheme, **Alt_CEV** is as follows:

Service period	Scheme	Calculation method	Value (CEV)
Tranche 2 (up to transfer day)	NPA60 Section	Legacy scheme guidance Cash equivalents on divorce - Factors and Guidance, dated 2 February 2020 Table 103 (Table 202 in the consolidated factors workbook) from the guidance note	£50,752.00

		'Cash equivalent transfer values (CETVs)' dated 2 February 2020	

Step 4 – Calculation of Alternative Contribution Adjustment (Alt_ContAdj)

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

Step 5 – Calculation of Alternative Ex-Partner Cash Equivalent Value (Alt_PCEV)

The value of the shareable rights that would have been credited to the PCM if the remedy period benefits were earned in the legacy scheme is as follows:

Alt_PCEV = (Alt_CEV + Alt_ContAdj) x reformed scheme PSO%

= (£50,752.00 + £0.00) x 20%

= £10,150.40

Step 6 – Calculation of Remediable Credit Adjustment (RCredAdj)

RCredAdj = Maximum (Alt_PCEV – Init_PCEV, 0)

= Maximum (£10,150.40 – £10,192.35, 0)

= £0.00

Step 7 – Calculation of the remediable pension credit in respect of RCredAdj

As the RCredAdj is zero, no further calculations or adjustments are necessary in respect of the pension credit and the PCM should be presented with the necessary information.

Step 8 – Re-calculation of member's pension debit

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

Service period	**Member debit amounts**
Tranche 2 (up to transfer day) (legacy scheme)	• Member's pension debit = 20% x £2,600.00 = **£520.00 p.a.** • Lump sum debit = 20% x £7,800.00 = **£1,560.00** • Survivor's pension debit = 20% x £1,300.00 = **£260.00 p.a.**
Tranche 2 (up to transfer day) (reformed scheme)	• Member's pension debit = 20% x £4,200.00 = **£840.00 p.a.** • Survivor's pension debit = 20% x £1,575.00 = **£315.00 p.a.**

The pension debits are revalued as usual for each option.

In this example, as no contribution adjustment is required and Alt_ContAdj is zero, no contribution adjustment debit is required.

Example 2 – Unprotected member, reformed annex only, RCredAdj required

The following scenario is considered in this example:

Status at transfer day:	**Deferred**
Protection status:	**Unprotected**
Contribution adjustment:	**None required**
PSO received:	**Reformed annex only**

In this example, unlike in Example 1, RCredAdj is determined to be greater than zero.

This example only considers the steps required after having determined a positive RCredAdj. For an example on determining the RCredAdj, please see Example 1.

Member data required

Date of birth	1 November 1966
Valuation day	30 September 2022
Transfer day	1 October 2021
Member's age at transfer day	54
Ex-spouse's date of birth	1 June 1969
Ex-spouse's age at transfer day	52
Details of PSO annex	Reformed annex: 20%

Data required for remedy calculations

Information on the benefits earned by the member in the shareable remedy period as if they were earned only in the legacy scheme and only in the reformed scheme is required:

Shareable remedy period benefits	If accrued in legacy scheme	If accrued in reformed scheme
Scheme	NPA65 Section	2015 Scheme
Normal pension age	65	67
Pension	£600.00	£600.00

Survivor pension	£225.00	£225.00
Lump sum	n/a	n/a

Benefit amounts are as at the transfer day.

Calculations required

In this example, **RCredAdj** has been determined to be £175.50.

Step 1 – Calculation of the remediable pension credit in respect of RCredAdj

As the RCredAdj is positive, it will need to be converted into an additional pension credit for the PCM. As the PSO contains a reformed scheme annex only, the pension credit based on RCredAdj will be transferred into the ex-partner's pension credit account in the reformed scheme, calculated using the relevant reformed scheme guidance and factors in force at the **valuation day**.

The additional pension credit member in respect of RCredAdj is as follows:

Service period	Scheme	Calculation method	Ex-partner additional pension credit amounts
Tranche 2 (Reformed scheme basis)	2015 Scheme	Using RCredAdj as the ex-partner's cash equivalent in applying the reformed scheme pension credit guidance. Pension credits on divorce - Factors and Guidance dated 2 February 2020 Table 473 (Table 322 in the consolidated factors workbook)	• Pension of **£14.56 p.a.**

The additional pension credit is revalued from the transfer day as with the original pension credit.

Step 2 – Re-calculation of member's pension debit

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

Service period	Member debit amounts
Tranche 2 (up to transfer day) (legacy scheme)	• Member's pension debit = 20% x £600.00 = **£120.00 p.a.** • Survivor's pension debit = 20% x £225.00 = **£45.00 p.a.**

Tranche 2 (up to transfer day) (reformed scheme)	• Member's pension debit = 20% x £600.00 = **£120.00 p.a.** • Survivor's pension debit = 20% x £225.00 = **£45.00 p.a.**

The pension debits are revalued as usual for each option.

In this example, as no contribution adjustment is required and Alt_ContAdj is zero, no contribution adjustment debit is required.

Example 3 – Unprotected member, legacy and reformed annexes, RCredAdj required

The following scenario is considered in this example:

Status at transfer day:	**Active**
Protection status:	**Unprotected**
Contribution adjustment:	**None required**
PSO received:	**Legacy annex and reformed annex**

In this example, like in Example 2, RCredAdj is determined to be greater than zero. However, in this example, the member has a legacy annex and a reformed annex.

This example only considers the steps required after having determined a positive RCredAdj. For an example on determining the RCredAdj, please see Example 1.

Member data required

Date of birth	1 November 1966
Valuation day	30 September 2022
Transfer day	1 October 2021
Member's age at transfer day	54
Ex-spouse's date of birth	1 June 1969
Ex-spouse's age at transfer day	52
Details of PSO annex	Legacy annex: 40% Reformed annex: 50%

Data required for remedy calculations

Information on the benefits earned by the member in the shareable remedy period as if they were earned only in the legacy scheme and only in the reformed scheme is required:

Shareable remedy period benefits	If accrued in legacy scheme	If accrued in reformed scheme
Scheme	NPA65 Section	2015 Scheme
Normal pension age	65	67

Pension	£600.00	£600.00
Survivor pension	£225.00	£225.00
Lump sum	n/a	n/a

Benefit amounts are as at the transfer day.

Calculations required

In this example, **RCredAdj** has been determined to be £438.75.

Step 1 – Calculation of the remediable pension credit in respect of RCredAdj

As the RCredAdj is positive, it will need to be converted into an additional pension credit for the PCM. As the PDM is an unprotected member and the PSO relates to both legacy and reformed schemes, the PCM should receive a choice whether the additional pension credit is applied to their legacy or reformed account. Therefore, the pension credit that would apply in the legacy scheme and in the reformed scheme needs to be calculated:

Service period	Scheme	Calculation method	Ex-partner additional pension credit amounts
Tranche 2 (Legacy scheme basis)	NPA65 Section	Using RCredAdj as the ex-partner's cash equivalent in applying the legacy scheme pension credit guidance. Pension credits on divorce - Factors and Guidance dated 2 February 2020 Table 423 (Table 317 in the consolidated factors workbook)	• Pension of **£32.62 p.a.** • Lump sum of **£0.00**
Tranche 2 (Reformed scheme basis)	2015 Scheme	Using RCredAdj as the ex-partner's cash equivalent in applying the reformed scheme pension credit guidance. Pension credits on divorce - Factors and Guidance dated 2 February 2020 Table 463 (Table 321 in the consolidated factors workbook)	• Pension of **£36.41 p.a.**

The additional pension credit should be revalued from transfer day as normal.

Step 2 – Re-calculation of member’s pension debit

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

Service period	Member debit amounts
Tranche 2 (up to transfer day) (legacy scheme)	• Member’s pension debit = 50% x £600.00 = **£300.00 p.a.** • Survivor’s pension debit = 50% x £225.00 = **£112.50 p.a.**
Tranche 2 (up to transfer day) (reformed scheme)	• Member’s pension debit = 50% x £600.00 = **£300.00 p.a.** • Survivor’s pension debit = 50% x £225.00 = **£112.50 p.a.**

The percentage reduction to be applied should be the percentage specified in the PSO in relation to the period of remediable service. In this case, it is the 50% as specified by the reformed scheme PSO.

The pension debits are revalued as usual for each option.

In this example, as no contribution adjustment is required and Alt_ContAdj is zero, no contribution adjustment debit is required.