



Government
Actuary's
Department

The Firefighters' Pension Scheme (England)

Pension Sharing on Divorce for McCloud members:
Transfer day before 1 October 2023 – “Retrospective full guidance R”

**Unprotected members, and
Tapered members (with PSO which relates to
reformed scheme only)**

Michael Scanlon FIA C.Act
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Government Actuary's Department

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1. Introduction

- 1.1 This guidance is addressed to the Ministry of Housing, Communities and Local Government (MHCLG) as the responsible authority for the Firefighters’ Pension Schemes (England) (the Schemes). The Schemes include the Firefighters’ Pension Scheme 1992 in England, the new Firefighters’ Pension Scheme 2006 (England) (the legacy schemes) and the Firefighters’ Pension Scheme 2015 (England) (the reformed scheme).
- 1.2 This guidance has been prepared in accordance with the Public Service Pensions and Judicial Offices Act 2022 (PSPJOA) and the following Regulations of the Firefighters’ Pensions (Remediable Service) Regulations 2023 (SI 2023/843) (referred to in this note as the “Remediable Service Regulations”):

Administrative procedure	Regulation(s)	Relevant section of this document
Calculation of initial amount and alternative amount	18 & 19	2
Calculation of remediable credit adjustment	20	2
Applying a remediable credit adjustment	21	3
Re-calculation of member’s pension debit	22	4

- 1.3 This guidance **must** be read in conjunction with the “Retrospective full guidance – Introductory note” dated 8 July 2025. This linked guidance sets out full details of:
- Exclusions
 - Implementation
 - Treatment of remediable added years and added pension contributions and benefits
 - Treatment of Matthews elections and 1992 Scheme double accrual
 - Compliance and limitations
- 1.4 This guidance applies to pension debit members (PDMs) who:
- are eligible for the McCloud remedy (McCloud members), **and**
 - were **unprotected** as part of the transitional protection arrangements (unprotected members), **or** had tapered protection with a Pension Sharing Order (PSO) which only relates to the reformed scheme¹, **and**
 - have an in-scope PSO on divorce
- This guidance is also relevant to the corresponding pension credit members (PCMs) for whom the same in-scope PSO applies.
- 1.5 By an in-scope PSO, this guidance means the following:
- The PSO **transfer day** is before 1 October 2023, **and**

¹ See the Retrospective full guidance – Introductory note for more information on which retrospective full guidance note should be used.

- The PSO covers remediable service (which always falls into the remedy period 1 April 2015 to 31 March 2022).

1.6 In this guidance note, “shareable remediable service” means remediable service which is subject to sharing under the PSO:

- For unprotected members, shareable remediable service starts from 1 April 2015 (or later if member had a qualifying break in service) and ends on the earlier of:
 - The day before the PSO **transfer day**
 - The day remediable service ends
- For tapered members with their PSO only relating to reformed scheme, shareable remediable service starts from taper transition date (or later if member had a qualifying break in service) and ends on the earlier of:
 - The day before the PSO **transfer day**
 - The day remediable service ends

1.7 This guidance applies to the following McCloud PDMs, i.e. PDMs with shareable remediable service, and their corresponding PCMs.

		PSO annex received		
In which scheme was shared remediable service accrued?	PDM's protection status	Legacy	Reformed	Comments
Reformed scheme only	Unprotected	x	✓	PSO% could be the same or different for each scheme
		✓ (i.e. Pre 1 April 2015 service)	✓	
	Tapered	x	✓	

- ✓ means the PSO applies to that scheme
- x means the PSO does not apply to that scheme

1.8 This guidance distinguishes between two groups of McCloud members as calculation steps vary for them:

- Group 1 consists of in-scope PDMs (per paragraph 1.4) who were active or deferred members at the **transfer day**.
- Group 2 consists of in-scope PDMs (per paragraph 1.4) who were pensioners at the **transfer day**.

1.9 Where member contributions in respect of added pension have been paid during the remedy period, please refer to the “Retrospective full guidance – Introductory note” for details of the treatment of those contributions.

2. Calculation of initial amount, alternative amount and remediable credit adjustment

- 2.1 For each in-scope PSO this section sets out how the following items should be calculated for the two groups of members described in paragraph 1.8. Note that Alt_UpayAdj is only relevant for Group 2 members (i.e. in-scope PDMs (per paragraph 1.4) who were pensioners at the **transfer day**).

For shareable 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

2A. Group 1 – In-scope PDMs who were active or deferred members at the transfer day

This section applies to a member who was an active or deferred member at the **transfer day**. Since **transfer day**, the member might have retired or remained as active or deferred till the present day.

2.2 Init_CEV – stands for Initial Cash Equivalent Value

This is the part of the reformed scheme CEV used to implement the PSO originally which relates to shareable remediable service.

Including only the shareable remediable service benefits, the administrator should use the reformed scheme guidance and factors extant at the original **valuation day** for this calculation. As per the full CEV calculation (on the **valuation day** which was used for implementation), this calculation of Init_CEV should refer to the member’s status (including whether an active or deferred member) and age last birthday at the **transfer day**. Essentially, the administrator is repeating the calculation of the CEV used for implementation as if it were being done on the original **valuation day** but only taking into account shareable remediable service benefits.

2.3 Init_PCEV – stands for Initial Ex-Partner Cash Equivalent Value

This is the value of shareable rights credited to the ex-partner (pension credit member) which relates to the shareable remediable service.

$$\text{Init_PCEV} = \text{Init_CEV} \times \text{reformed scheme PSO\%}$$

For divorces under English law:

Reformed scheme PSO% is the percentage to be shared from the reformed scheme as specified by the reformed scheme PSO.

For divorces under Scottish law:

Reformed scheme PSO% is the implied percentage to be shared from the reformed scheme as calculated based on the monetary amount specified by the reformed scheme PSO. Where relevant, this implied percentage was already calculated when the PSO was implemented.

2.4 Alt_CEV – stands for Alternative Cash Equivalent Value

This is the shareable remediable service CEV assuming all rights for shareable remediable service are based on benefits in the legacy scheme.

To calculate Alt_CEV, the administrator should first calculate the member’s shareable remediable benefits on the day before the **transfer day** as though shareable remediable service were in the legacy scheme. The value of such benefits should then be calculated using the relevant legacy scheme guidance and factors extant at the original **valuation day**. This calculation should refer to the member’s status (including whether an active or deferred member) and age last birthday at the **transfer day**.

2.5 **Alt_ContAdj – stands for Alternative Contribution Adjustment**

If, in respect of the shareable remediable service, the member would have paid different contributions if they had accrued only the relevant legacy scheme benefits, the divorce calculations associated with the member receiving only legacy scheme benefits for remediable service should include adjustments for under/overpayments of contributions up to **transfer day**:

Alt_ContAdj = (INITcont – Lcont) net of tax, with interest applied to transfer day

INITcont	Initial contributions paid by the member in relation to shareable remediable service, before any PSPJOA section 16 contribution adjustment which may have arisen.
Lcont	Legacy contributions the member would have paid in relation to shareable remediable service, had they been accruing legacy benefits.

Please note that

- Alt_ContAdj relates to adjustment under PSPJOA section 15 (immediate choice members) or section 16 (deferred choice members).
- These calculations should exclude any member contributions in respect of added pension paid during the period of shareable remediable service.
- Interest on the contribution adjustment, as required under the PSPJOA and associated Directions should be applied up to the **transfer day**.
- Applicable interest rates differ between contribution overpayments (positive Alt_ContAdj) and contribution underpayments (negative Alt_ContAdj).
 - A positive Alt_ContAdj occurs when the member has paid more (reformed scheme) contributions towards shareable remediable service than they would have in the legacy scheme. This means if they choose to take legacy scheme benefits for remediable service, they have overpaid contributions (the scheme owes compensation to the member).
 - A negative Alt_ContAdj occurs when the member has paid less (reformed scheme) contributions towards shareable remediable service than they would have in the legacy scheme. This means if they choose to take legacy scheme benefits for remediable service, they have underpaid contributions (the member owes contributions to the scheme).
- The contribution adjustment for both underpayments and overpayments should be calculated net of the tax relief waived under Section 18 of the PSPJOA.

2.6 **Alt_PCEV – stands for Alternative Ex-Partner Cash Equivalent Value**

This is the value of shareable rights, relating to shareable remediable service, that would have been credited to the PCM had the shareable rights been associated with the relevant legacy scheme.

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

The reformed scheme PSO% is the same as that identified in paragraph 2.3.

2.7 **RCredAdj – stands for Remediable Credit Adjustment**

This is the value of the retrospective adjustment to be made to the value of shareable rights as a result of the McCloud remedy for divorce.

$$\text{RCredAdj} = \text{Max} (\text{Alt_PCEV} - \text{Init_PCEV}, 0)$$

RCredAdj can be positive or nil. If the RCredAdj is nil, the PCM should be presented with the necessary information, but there will be no further calculations or adjustment necessary. Section 3 will set out further calculations in the cases where the RCredAdj is positive.

2B. Group 2 – In-scope PDMs who were pensioners at the transfer day

This section applies to a member who was a pensioner at the **transfer day**. They would have been an immediate choice pensioner.

2.8 Init_CEV – stands for Initial Cash Equivalent Value

To calculate Init_CEV, the administrator should follow paragraph 2.2 but referring to the member’s pensioner status and age last birthday at the **transfer day**.

Please note that the CEV should include any rights of the member under the scheme. For a member who took part of their benefits under partial retirement provisions², the CEV should include both the partial retirement pension in payment and any other rights in respect of shareable remediable service which are not yet in payment. For such members, the partial retirement pension in payment at **transfer day** should be valued in accordance with this section, and the other rights in respect of shareable remediable service which are not yet in payment at **transfer day** should be valued in accordance with section 2A (Group 1 – In-scope PDMs who were active or deferred members at the **transfer day**) above.

2.9 Init_PCEV – stands for Initial Ex-Partner Cash Equivalent Value.

To calculate Init_PCEV, the administrator should follow paragraph 2.3.

2.10 Alt_CEV – stands for Alternative Cash Equivalent Value

To calculate Alt_CEV, the administrator should follow paragraph 2.4 but referring to the member’s pensioner status and age last birthday at the **transfer day** and the following assumptions about the relevant legacy scheme benefits:

If the member took normal health retirement before **transfer day** and, if they were to make a legacy scheme election, would be entitled to elect for immediate retirement benefits from the relevant legacy scheme, the administrator should assume in the calculation of member’s remediable benefits that:

- the member retired at the actual retirement age,
- any adjustment for early or late payment under the rules of the legacy scheme applied,
- and the member commuted the minimum that would be permitted if the member’s McCloud election was the legacy scheme.

If the member took normal health retirement before **transfer day** and, if they were to make a legacy scheme election, would not be entitled to elect for immediate retirement benefits from the relevant legacy scheme, the administrator should assume the legacy benefits (for all shareable remediable service) are payable as a deferred pension from deferred pension age, and the member commuted the minimum that would be permitted if the member’s McCloud election was the legacy scheme.

If the member took ill-health retirement before **transfer day** in respect of remediable service from the reformed scheme, the administrator should consider the member’s eligibility for ill-health retirement from the relevant legacy scheme to determine if the

² That is, where a member takes part of their benefits but remains as an active member, accruing further benefits.

member could have retired under ill-health at the actual retirement age, and if so what the ill-health benefits would be. If the member would not be eligible for ill-health benefits, then one of the two preceding paragraphs applies, depending on whether the member would be entitled to elect for immediate retirement benefits from the legacy scheme at their actual retirement age.

2.11 **Alt_UpayAdj – stands for Alternative Underpayment Adjustment**

As the member was a pensioner on the **transfer day**, the divorce calculations associated with the member receiving only the relevant legacy scheme benefits for shareable remediable service should include adjustments for any under/overpayments of benefits related to the McCloud remedy between retirement and **transfer day**.

To calculate Alt_UpayAdj, the administrator should calculate the legacy benefits the member would have received between retirement and **transfer day** in respect of the shareable remediable service, had they been accruing the relevant legacy benefits, using the same assumptions about legacy benefits adopted in calculating Alt_CEV in paragraph 2.10. We will refer to this as “Lpayment” (Legacy payments).

Alt_UpayAdj	= (Lpayment – ACTpayment) based on payments up to transfer day, with interest applied to transfer day
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Lpayment	Legacy benefit payments the member would have received between retirement and transfer day , in relation to shareable remediable service, had they been accruing legacy benefits.
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ACTpayment	Actual benefits payments received between retirement and transfer day , in relation to shareable remediable service.
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Please note that

- Interest on the underpayment adjustment, as required under the PSPJOA and associated Directions should be applied up to the **transfer day**.
- Alt_UpayAdj can range from being positive to negative.
 - A positive Alt_UpayAdj occurs when the member has, up to **transfer day**, received less benefits than they would have in the scenario where all rights for remediable service are based on benefits in the relevant legacy scheme. This means if they choose to take legacy scheme benefits for remediable service, they have been underpaid to date (the scheme owes the member money).
 - A negative Alt_UpayAdj occurs when the member has, up to **transfer day**, received more benefits than they would have in the scenario where all rights for remediable service are based on benefits in the relevant legacy scheme. This means if they choose to take legacy scheme benefits for remediable service, they have been overpaid to date (the member owes the scheme money).
- Applicable interest rates differ between underpayments (positive Alt_UpayAdj) and overpayments (negative Alt_UpayAdj).
- Underpayments (positive Alt_UpayAdj) would be paid in full so should be calculated gross of tax. Overpayments (negative Alt_UpayAdj) would be collected net of income tax paid on the overpayment so should be calculated net of income tax.
- This section only applies to McCloud remedy under/overpayments up to **transfer day** i.e. those resulting from a potential McCloud choice. Administrators should address

under/overpayments relating to non-McCloud scenarios as per usual procedures; these non-McCloud under/overpayments are not covered by this note.

2.12 Alt_ContAdj – stands for Alternative Contribution Adjustment

To calculate Alt_ContAdj, the administrator should follow paragraph 2.5. Noting that for Group 2, Alt_ContAdj relates to the adjustment under PSPJOA section 15 (immediate choice members).

2.13 Alt_PCEV – stands for Alternative Ex-Partner Cash Equivalent Value

This is the value of shareable rights, relating to shareable remediable service, that would have been credited to the PCM had the shareable rights been associated with the legacy scheme.

$$\text{Alt_PCEV} = (\text{Alt_CEV} + \text{Alt_UpayAdj} + \text{Alt_ContAdj}) \times \text{reformed scheme PSO\%}$$

The reformed scheme PSO% is the same as that identified in paragraph 2.3.

2.14 RCredAdj – stands for Remediable Credit Adjustment

To calculate RCredAdj, the administrator should follow paragraph 2.7.

3. Calculation of pension credit adjustments

- 3.1 A positive RCredAdj calculated in paragraph 2.7 or 2.14 will need to be converted into an extra pension credit for the PCM.
- 3.2 Any pension credit adjustment will be added to the PCM's pension account as if it was applied at the original **valuation day** with effect from **transfer day**. This means revaluation and pension increases apply from **transfer day**. If the PCM's pension credit in relation to Init_PCEV has already come into payment then any underpayments relating to RCredAdj would need to be addressed by the administrator as appropriate.

PSO with reformed scheme annex only

- 3.3 For such members, the calculation of the pension credit adjustment based on the RCredAdj should be undertaken using the reformed scheme guidance and factors extant at the original **valuation day**, selected based on the pension credit member's status and age last birthday at the **transfer day**. The extra pension credit should be applied to the PCM's reformed scheme pension account.

PDM is an unprotected member whose PSO contains both a legacy scheme annex and a reformed scheme annex

- 3.4 For such members, the PCM should receive a choice, in accordance with the regulations, whether the extra pension credit is applied to their legacy or reformed scheme account. This means the administrator should calculate two pension credit adjustments based on the RCredAdj:
- a. A pension credit adjustment calculated using the relevant legacy scheme guidance and factors extant at the original **valuation day**, selected based on the pension credit member's status and age last birthday at the **transfer day**. This assumes the RCredAdj will be transferred into the ex-partner's pension credit account in the legacy scheme.
 - b. A pension credit adjustment calculated using the reformed scheme guidance and factors extant at the original **valuation day**, selected based on the pension credit member's status and age last birthday at the **transfer day**. This assumes the RCredAdj will be transferred into the ex-partner's pension credit account in the reformed scheme.
- 3.5 The pension credit member will be offered a choice of the two pension credit adjustments. If the pension credit member does not complete the request to receive the pension credit in the reformed scheme (as per paragraph 3.4b) within the required timescale, the pension credit member will receive the pension credit in the legacy scheme (as per paragraph 3.4a).

4. Calculation of member’s alternative pension debit and other relevant debits

- 4.1 The remediable benefits for each PDM described in paragraph 1.4 have already been reduced by an initial pension debit in relation to reformed scheme benefits (which includes shareable remediable benefits). As the McCloud remedy offers affected members a choice of benefits for remediable service, the offer of the alternative (legacy) benefits should reflect the corresponding pension debit. Therefore, the administrator should calculate the alternative pension debit relating to shareable remediable service, based on legacy scheme benefits, as at the **PSO valuation day**.
- 4.2 The legacy scheme debit calculation should use the **transfer day** as the calculation date, assuming all rights in respect of shareable remediable service are based on benefits in the legacy scheme, and calculated using the relevant legacy scheme guidance extant at the original **valuation day**. The percentage used to calculate the pension debit should be the percentage used in the calculation of Alt_PCEV in paragraph 2.6.
- 4.3 Both sets of debit calculations relate to shareable remediable service only. They should be recorded on the administration system and revaluation should apply as usual.
- 4.4 The pension debits relating to non-remediable service will remain unchanged³. The pension debits for non-remediable service plus the remediable service pension debit give the total pension debits which will apply depending on the member’s McCloud election (or assigned default scheme). These pension debits may have different benefit features, for example retirement ages, depending on whether they relate to the legacy or reformed style of benefits, and so should be considered separately for the purpose of any calculations.
- 4.5 Following rollback, benefits in relation to the remediable service will be payable from the relevant legacy scheme regardless of the McCloud choice. Therefore, the pension debit in respect of remediable service should be applied in the relevant legacy scheme.
- 4.6 If illustrative figures are to be provided to the member in advance of them making their McCloud election, then the administrator may calculate illustrative figures, associated with electing the relevant legacy scheme, using paragraph 4.2 above (and if applicable paragraphs 4.15, 4.23 and 4.26 below). Such illustrations will require an assumption about the **settlement date** and the member’s commutation choice.

³ For a PDM with non-remediable service in the reformed scheme (which will include all service after 31 March 2022), the initial reformed scheme debit calculated at the original **valuation day** covered both remediable and non-remediable service. The administrator should isolate the reformed scheme pension debit relating to the non-remediable service.

4A. Group 1 – In-scope PDMs who were active or deferred members at the transfer day

This section applies to a member who was an active or deferred member at the **transfer day**. After **transfer day**, the member can either:

- make a deferred choice election before retirement
- retire before making a McCloud election, including both immediate choice pensioners (who retired after **transfer day**, but before 1 October 2023) and deferred choice pensioners (who were active or deferred at 1 October 2023 but have since retired without making their McCloud election⁴)

Members who make a deferred choice election before retirement

- 4.7 For deferred choice members who are yet to retire, until they make their final and irrevocable deferred remedy choice and pension benefits come into payment, the pension debit applicable is that calculated as though all remediable service were in the relevant legacy scheme, because of rollback. For each PDM described in paragraph 1.4, this is the legacy scheme pension debit calculated as per paragraph 4.2 and revalued as per paragraph 4.3 above.
- 4.8 If a Group 1 member does not elect to receive reformed scheme benefits, the legacy pension debit (revalued from **transfer day** to retirement) applies when pension comes into payment.
- 4.9 At the point when pension comes into payment, if they have elected for reformed scheme benefits for remediable service, then the shareable remediable service pension debit will need to be revised to reflect the reformed scheme remediable service pension debit (i.e. reinstating the initial reformed scheme pension debit that was discussed in paragraph 4.1).
- 4.10 Where the pension debit needs to be revised, this should be done as if it was implemented on the original **valuation day** with a calculation date of the **transfer day**.

Members who retire before making a McCloud election

- 4.11 The pension debit at retirement (based on either legacy scheme benefits or reformed scheme benefits for remediable service) should be calculated in accordance with paragraphs 4.1 to 4.3 above.
- 4.12 If, following the member’s McCloud election, benefits chosen for the remediable service (after the relevant debit has been applied) are different from the benefits paid up until that point, then the administrator should work out what the remediable service benefits payment streams would have been from the member’s actual retirement age, allowing for the member’s McCloud choice and actual choice of commutation. This would enable the administrator to calculate the revised lump sum (if any) and ongoing pension that the member would be receiving instead at retirement and apply the appropriate debit, calculated as per paragraph 4.11 above.

⁴ Generally, a deferred choice member will make their choice before retirement, but exceptionally they may retire and start receiving legacy scheme payments before making their DCU election.

- 4.13 Where the pension debit needs to be revised, this should be done as if it was implemented on the original **valuation day** with a calculation date of the **transfer day**. Any change in value of pension in payment will be retrospective to the **transfer day**. The administrator should address any under/ overpayments between the date of retirement and **settlement date** as appropriate, allowing for the pension debits which applied from retirement, plus McCloud interest where appropriate (this is done outside of the divorce process which is the focus of this note).

Contribution adjustment debit(s)

- 4.14 In all McCloud cases (including non-divorce) where immediate choice members (who retired before 1 October 2023) would have paid different remediable service contributions towards benefits based in the relevant legacy scheme (compared to the reformed scheme) and choose to receive legacy scheme benefits, the administrator would calculate if any contribution adjustment (relating to the whole remediable service) is due. The adjustment relates to Section 15 of the PSPJOA and would be settled with appropriate interest at settlement date.

For deferred choice members who were rolled back into the legacy scheme on 1 October 2023, Section 16 of PSPJOA requires contribution adjustments to be implemented to put members into the position where they would have effectively made legacy scheme contributions during remediable service. We will refer to these as “S16 contributions corrections” and they should be settled with appropriate interest at the S16 contributions correction date. If a deferred choice member then elects for reformed scheme benefits for remediable service, a further adjustment relating to Section 17 of the PSPJOA applies and should be settled with the appropriate interest at **settlement date**.

4.15 **Deb_AltContAdj – stands for Contribution Adjustment Debit(s)**

In the case of a divorce where the member would have paid different contributions before **transfer day**, such under/overpayments of contributions pre-**transfer day** need to be shared with the ex-spouse in line with the PSO. This means one or more contribution adjustment debits (Deb_AltContAdj) should apply to reduce the amount of pre-**transfer day** money owed, either from the scheme to the member or from the member to the scheme, by the reformed PSO%. The calculations differ depending on the member’s McCloud choice and if they retired before 1 October 2023. For the remainder of this paragraph, all contribution items are in respect of the shareable remedy period.

If a member retired before 1 October 2023 and elects for legacy scheme benefits for remediable service, the following debit applies as at the **settlement date**. This relates to adjustment under PSPSJOA section 15.

Deb_AltContAdj	= (INITcont – Lcont) net of tax, with interest applied to settlement date x reformed scheme PSO percentage
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INITcont	Initial contributions paid by the member in relation to shareable remediable service. This is calculated as per paragraph 2.5.
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Lcont	Legacy contributions the member would have paid in relation to shareable remediable service, had they been accruing legacy benefits. This is calculated as per paragraph 2.5.
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If a member retires on or after 1 October 2023, a debit applies as at the S16 contributions correction date, regardless of subsequent McCloud election. If the member then elects for reformed scheme benefits for remediable service, a second debit applies as at the **settlement date**. This second debit (if applicable) relates to adjustment under PSPJOA section 17.

1. First debit as at S16 contributions correction date (Deb_AltContAdjS16)	(INITcont – Lcont) net of tax, with interest applied to S16 contributions correction date x reformed scheme PSO%
2a. If member elects for legacy scheme benefits for remediable service	No further debit
2b. If member elects for reformed scheme benefits for remediable service, a second debit applies as at the settlement date (Deb_AltContAdj)	(Lcont – Rcont) net of tax, with interest applied to settlement date x reformed scheme PSO%

Rcont Reformed contributions the member would have paid in relation to shareable remediable service, had they been accruing reformed benefits.

Deb_AltContAdj or Deb_AltContAdjS16 is a positive number if the scheme owes the member money and a negative number if the member owes the scheme money.

- 4.16 Note the contribution adjustments above under Section 15 or 16 of PSPJOA should be consistent with the contribution adjustment in paragraph 2.5, but will have interest applied to the **settlement date** (for Deb_AltContAdj relevant to members who retired before 1 October 2023 and elect for legacy scheme benefits) or the S16 contributions correction date (for Deb_AltContAdjS16 relevant to members retiring on or after 1 October 2023), rather than the **transfer day**.

4B. Group 2 – In-scope PDMs who were pensioners at the transfer day

This section applies to a member who was a pensioner at the **transfer day**. They would have been an immediate choice pensioner.

- 4.17 As a pensioner on **transfer day**, an initial pension debit in relation to reformed scheme benefits (which includes shareable remediable benefits) has already been implemented. From 1 October 2023, benefits in respect of remediable service (and the debit in respect of shareable remediable service) are treated as being payable from the relevant legacy scheme (see PSPJOA section 2(3)(a)), but the amount of pension payable is not changed unless and until the member elects (or is defaulted to) legacy scheme benefits for remediable service (see PSPJOA section 6(4)). The benefits in respect of remediable service (and the debit in respect of shareable remediable service) can therefore remain in payment following roll back on 1 October 2023, until the member makes their McCloud election.
- 4.18 If a Group 2 member elects (or is defaulted to) reformed scheme benefits for remediable service, the implemented initial pension debit remains correct and should continue to apply.
- 4.19 If the member elects (or is defaulted to) legacy scheme benefits for remediable service, then the administrator should work out what the relevant legacy scheme payment streams would have been from the member’s actual retirement age, allowing for the member’s actual choice of commutation. This would enable the administrator to calculate the revised ongoing pension that the member would be receiving instead at **transfer day** and apply the revised debit, calculated as per paragraph 4.2 and 4.3 above.
- 4.20 Where the pension debit needs to be revised, this should be done as if it was implemented on the original **valuation day** with a calculation date of the **transfer day**. Any change in value of pension in payment will be retrospective to the **transfer day**. The administrator should address any under/ overpayments between **transfer day** and **settlement date** as appropriate, allowing for the pension debits which applied from **transfer day** plus McCloud interest where appropriate (this is done outside of the divorce process which is the focus of this note).
- 4.21 In some cases, the Initial Cash Equivalent Value (Init_CEV) and/or the Alternative Cash Equivalent Value (Alt_CEV) may include allowance for rights in respect of shareable remediable service which are not yet in payment at **transfer day** (see paragraphs 2.8 and 2.10). The debit in respect of these rights should be calculated in accordance with section 4A (Group 1 – In-scope PDMs who were active or deferred members at the **transfer day**) above.

Underpayment adjustment debit

- 4.22 In all McCloud pensioner cases (including non-divorce), when the member chooses to receive legacy scheme benefits, the administrator would calculate McCloud remedy under/overpayments between date pension commenced and **settlement date**. The resulting under/overpayments would be settled with the appropriate interest.

4.23 **Deb_AltUpayAdj – stands for Underpayment Adjustment Debit**

In the case of a divorce where the member was already a pensioner on **transfer day**, the under/overpayments pre-**transfer day** need to be shared with the ex-spouse in line with the PSO. This means an underpayment adjustment debit (Deb_AltUpayAdj) should apply to reduce the amount of pre-**transfer day** money owed, either from the scheme to the member or from the member to the scheme, by the reformed PSO%.

Deb_AltUpayAdj	= (Lpayment – ACTpayment), with interest applied to settlement date x reformed scheme PSO percentage
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Lpayment	Legacy benefits the member would have received between retirement and transfer day , in relation to shareable remediable service, had they been accruing legacy benefits. These should reflect the legacy scheme lump sum (if any) and ongoing pension reflecting the member’s actual commutation choice.
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ACTpayment	Actual benefits payments received between retirement and transfer day , in relation to shareable remediable service.
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4.24 The notes in paragraph 2.11 apply but because the underpayment adjustment in paragraph 4.23 is based on the member’s actual commutation choice, it may be different to the underpayment adjustment in paragraph 2.11 (which assumed that the member commuted the minimum permitted in the alternative scheme).

4.25 Please note that for the purposes of calculating the underpayment adjustment above, to which the reformed PSO percentage should apply, the administrator should ignore payments on or after **transfer day**. The administrator should handle under/overpayments between **transfer day** and **settlement date** separately as mentioned in paragraph 4.20.

Contribution adjustment debit(s)

4.26 The contribution adjustment debit, if relevant, should be calculated and implemented in accordance with paragraphs 4.14 to 4.15.

4.27 Note the contribution adjustment above should be consistent with the contribution adjustment in paragraph 2.12, but will have interest applied to the **settlement date** rather than the **transfer day**.

5. Appendix

Key definitions

Settlement date

After a member has made their final and irrevocable McCloud election regarding remediable service, or has been assigned the default scheme at the end of the election period, the **settlement date** is the day when all final payments are made between the member and the pension scheme. This date marks the resolution of any under/overpayments of benefits or contributions, thereby implementing the final scheme benefits.

Transfer day

Section 29(8) of the Welfare Reform and Pensions Act 1999 (1999 Act) defines the **transfer day** as the day on which the pension sharing order takes effect. (The **transfer day** is sometimes also referred to as the Effective date.)

If the calculation is being done after a pension sharing order has been made, the calculation date is the **transfer day**, as per our standard divorce guidance.

The calculation of the cash equivalent should include benefits or future benefits to which, immediately before the **transfer day**, the transferor (pension debit member) is entitled. Factors should be selected with reference to the member’s status and age at the **transfer day**.

Where pension credit benefits for an ex-partner are to be calculated, factors should be selected with reference to the ex-partner’s age at the **transfer day**, and the ex-partner’s normal pension age.

Valuation day

Section 29(7) of the 1999 Act defines **valuation day** as a day within the Implementation Period for the transferee (pension credit member) to become entitled to the pension credit. The responsible authority may specify the **valuation day** by notice in writing to the transferor and transferee. Section 34(1) of the 1999 Act defines the implementation period as the four-month period that starts on the **transfer day**, or if later, on the date the pension scheme has the prescribed information needed to implement the pension sharing order. (The **valuation day** is sometimes referred to as the Implementation date.)

Factors for implementation of a PSO should be those in force as at the **valuation day**. Where the member or ex-partner has a different normal pension age at the **valuation day** compared to the **transfer day**, the normal pension age at the **valuation day** should be used.

Regulatory references for terms used in guidance note

	Stands for	Referred to in the Remediable Service Regulations as
Init_PCEV	Initial Ex-Partner Cash Equivalent Value	Initial amount
Alt_PCEV	Alternative Ex-Partner Cash Equivalent Value	Alternative amount
RCredAdj	Remediable Credit Adjustment	Remediable credit adjustment