



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 M”

Mixed service members i.e. Tapered members with PSO containing both a legacy scheme annex and a reformed scheme annex

Michael Scanlon FIA C.Act
28 July 2025
Government Actuary's Department

The Government Actuary's Department is proud to be accredited under the Institute and Faculty of Actuaries' [Quality Assurance Scheme](#). Our website describes [the standards we apply](#).



Contents

- 1. Introduction.....3**
- 2. Calculation of initial amount, alternative amount and remediable credit adjustment.....5**
 - 2A. Group 1 – In-scope PDMs who were active or deferred members at the transfer day 7
 - 2B. Group 2 – In-scope PDMs who were pensioners at the transfer day..... 16
- 3. Calculation of pension credit adjustments23**
- 4. Calculation of member’s alternative pension debit and other relevant debits24**
 - 4A. Group 1 – In-scope PDMs who were active or deferred members at the transfer day26
 - 4B. Group 2 – In-scope PDMs who were pensioners at the transfer day..... 30
- 5. Appendix32**
 - Key definitions 32
 - Regulatory references for terms used in guidance note 33

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**
 - had tapered protection with an in-scope Pension Sharing Order (PSO) which contains both a legacy scheme annex and a reformed scheme annex¹.
- 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**
 - The PSO covers remediable service (which always falls into the remedy period 1 April 2015 to 31 March 2022).

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

1.6 In this guidance note, “shareable remediable service” means remediable service which is subject to sharing under the PSO. Shareable remediable service starts from 1 April 2015 (or later if member had a qualifying break in service) and ends on the earlier of:

- a. The day before the PSO **transfer day**
- b. 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.

In which scheme was the shared remediable service accrued?	PDM’s protection status	PSO annex received		Comments
		Legacy	Reformed	
Both legacy and reformed	Tapered with PSO date after taper date	✓	✓	PSO% could be the same or different for each scheme

- ✓ means the PSO applies 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 years or 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 amounts 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.

For shareable remediable service		
	Stands for	Relates to
Init_CEV	Initial Cash Equivalent Value = Init_CEV _L + Init_CEV _R	PDM
Init_CEV _L	Initial Cash Equivalent Value Legacy	
Init_CEV _R	Initial Cash Equivalent Value Reformed	
Init_PCEV	Initial Ex-Partner Cash Equivalent Value	PCM
MRBL	Member's Remediable Benefits Legacy = MRBL ₁ + MRBL ₂	PDM
MRBL ₁	Member's Remediable Benefits Legacy Part 1	
MRBL ₂	Member's Remediable Benefits Legacy Part 2	
CEVL	Cash Equivalent Value Legacy = CEVL ₁ + CEVL ₂	PDM
CEVL ₁	Cash Equivalent Value Legacy Part 1	
CEVL ₂	Cash Equivalent Value Legacy Part 2	
MRBR	Member's Remediable Benefits Reformed = MRBR ₁ + MRBR ₂	PDM
MRBR ₁	Member's Remediable Benefits Reformed Part 1	
MRBR ₂	Member's Remediable Benefits Reformed Part 2	
CEVR	Cash Equivalent Value Reformed = CEVR ₁ + CEVR ₂	PDM
CEVR ₁	Cash Equivalent Value Reformed Part 1	
CEVR ₂	Cash Equivalent Value Reformed Part 2	
ACTpayment	Actual payments = ACTpayment ₁ + ACTpayment ₂	PDM*
ACTpayment ₁	Actual payments Part 1	
ACTpayment ₂	Actual payments Part 2	
Lpayment	Legacy payments = Lpayment ₁ + Lpayment ₂	PDM*
Lpayment ₁	Legacy payments Part 1	
Lpayment ₂	Legacy payments Part 2	
UpayAdjL	Underpayment Adjustment Legacy = UpayAdjL ₁ + UpayAdjL ₂	PDM*
UpayAdjL ₁	Underpayment Adjustment Legacy Part 1	
UpayAdjL ₂	Underpayment Adjustment Legacy Part 2	
Rpayment	Reformed payments = Rpayment ₁ + Rpayment ₂	PDM*
Rpayment ₁	Reformed payments Part 1	
Rpayment ₂	Reformed payments Part 2	
UpayAdjR	Underpayment Adjustment Reformed = UpayAdjR ₁ + UpayAdjR ₂	PDM*
UpayAdjR ₁	Underpayment Adjustment Reformed Part 1	
UpayAdjR ₂	Underpayment Adjustment Reformed Part 2	
INITcont	Initial contributions = INITcont ₁ + INITcont ₂	PDM
INITcont ₁	Initial contributions Part 1	
INITcont ₂	Initial contributions Part 2	
Lcont	Legacy contributions = Lcont ₁ + Lcont ₂	PDM
Lcont ₁	Legacy contributions Part 1	
Lcont ₂	Legacy contributions Part 2	

For shareable remediable service		
	Stands for	Relates to
ContAdjL	Contribution Adjustment Legacy = ContAdjL1 + ContAdjL2	PDM
ContAdjL1	Contribution Adjustment Legacy Part 1	
ContAdjL2	Contribution Adjustment Legacy Part 2	
Rcont	Reformed contributions = Rcont1 + Rcont2	PDM
Rcont1	Reformed contributions Part 1	
Rcont2	Reformed contributions Part 2	
ContAdjR	Contribution Adjustment Reformed = ContAdjR1 + ContAdjR2	PDM
ContAdjR1	Contribution Adjustment Reformed Part 1	
ContAdjR2	Contribution Adjustment Reformed Part 2	
Alt_PCEV	Alternative Ex-Partner Cash Equivalent Value	PCM
RCredAdj	Remediable Credit Adjustment	PCM

Note that “Part 1” refers to shareable remediable service before the member’s taper transition date, and “Part 2” refers to shareable remediable service on and after the member’s taper transition date. If the PSO percentage for the legacy scheme and the reformed scheme is the same, then it is not necessary to calculate values for Part 1 and Part 2 separately.

* Only relevant for Group 2 members (i.e. in-scope PDMs who were pensioners at the **transfer day**).

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 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 relevant 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.

$$\text{Init_CEV} = \text{Init_CEVL} + \text{Init_CEVR}$$

Where:

- Init_CEV L is the CEV in the legacy scheme in respect of shareable remediable service before the member’s tapered transition date.
- Init_CEV R is the CEV in the reformed scheme in respect of shareable remediable service on or after the member’s tapered transition date.

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.

$$\text{Init_PCEV} = \text{Init_CEVL} \times \text{legacy scheme PSO\%} + \text{Init_CEVR} \times \text{reformed scheme PSO\%}$$

For divorces under English law:

Legacy scheme PSO% is the percentage to be shared from the legacy scheme as specified by the legacy scheme PSO.

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:

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

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 **CEVL – stands for Cash Equivalent Value Legacy**

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

To calculate CEVL, the administrator should first calculate the member’s remediable benefits on the day before the **transfer day** as though remediable service were in the relevant legacy scheme. We will refer to this as “MRBL” (Member’s Remediable Benefits Legacy). 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**.

Where the PSO% is different for the legacy and reformed schemes

The administrator should identify:

- The member’s legacy benefits in relation to shareable remediable service before their tapered transition date. We will refer to this as “MRBL1” (Member’s Remediable Benefits Legacy Part 1)
- The member’s legacy benefits in relation to shareable remediable service on and after the member’s tapered transition date. We will refer to this as “MRBL2” (Member’s Remediable Benefits Legacy Part 2)

$$\text{MRBL} = \text{MRBL1} + \text{MRBL2}$$

Once the above have been established, the administrator can proceed to calculate:

$$\text{CEVL} = \text{CEVL1} + \text{CEVL2}$$

CEVL1 The CEV in respect of benefits from shareable remediable service before the member’s tapered transition date in the relevant legacy scheme i.e. value of MRBL1. This is the same as Init_CEVL.

CEVL2 The CEV in respect of benefits from shareable remediable service on and after the member’s tapered transition date in the relevant legacy scheme i.e. value of MRBL2.

Both CEVs are calculated as though remediable service were in the legacy scheme, and the values of benefits should be calculated using the relevant legacy scheme guidance and factors extant at the original **valuation day**.

MRBL1 and MRBL2 will be needed for calculation of pension debits (see paragraph 4.3 below). CEVL1 and CEVL2 as components of CEVL will be needed for the calculation of Alt_PCEV (see paragraph 2.8 below).

Where the PSO% is the same for the legacy and reformed schemes

Only one CEVL calculation is needed for shareable remediable service in relation to MRBL, meaning there is no need to calculate the components (MRBL1, MRBL2, CEVL1 and CEVL2).

2.5 **CEVR – stands for Cash Equivalent Value Reformed**

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

To calculate CEVR, the administrator should first calculate the member’s remediable benefits on the day before the **transfer day** as though remediable service were in the reformed scheme. We will refer to this as “MRBR” (Member’s Remediable Benefits Reformed). The value of such benefits should then be calculated using the relevant reformed 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**.

Where the PSO% is different for the legacy and reformed schemes

The administrator should identify:

- The member’s reformed benefits in relation to shareable remediable service before their tapered transition date. We will refer to this as “MRBR1” (Member’s Remediable Benefits Reformed Part 1)
- The member’s reformed benefits in relation to shareable remediable service on and after the member’s tapered transition date. We will refer to this as “MRBR2” (Member’s Remediable Benefits Reformed Part 2)

$$\text{MRBR} = \text{MRBR1} + \text{MRBR2}$$

Once the above have been established, the administrator can proceed to calculate:

$$\text{CEVR} = \text{CEVR1} + \text{CEVR2}$$

CEVR1	The CEV in respect of benefits from shareable remediable service before the member’s tapered transition date in the reformed scheme i.e. value of MRBR1
CEVR2	The CEV in respect of benefits from shareable remediable service on and after the member’s tapered transition date in the reformed scheme i.e. value of MRBR2. This is the same as Init_CEV.

Both CEVs are calculated as though remediable service were in the reformed scheme, and the values of benefits should be calculated using the reformed scheme guidance and factors extant at the original **valuation day**.

MRBR1 and MRBR2 will be needed for calculation of pension debits (see paragraph 4.3 below). CEVR1 and CEVR2 as components of CEVR will be needed for the calculation of Alt_PCEV (see paragraph 2.8 below).

Where the PSO% is the same for the legacy and reformed schemes

Only one CEVR calculation is needed for shareable remediable service in relation to MRBR, meaning there is no need to calculate the components (MRBR1, MRBR2, CEVR1 and CEVR2).

2.6 **ContAdjL – stands for Contribution Adjustment Legacy**

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 benefits for remediable service should include adjustments for under/overpayments of contributions up to **transfer day**.

To calculate ContAdjL, the administrator should first calculate the initial member contributions paid by the member in respect of shareable remediable service (before any PSPJOA section 16 contribution adjustment which may have arisen). We will refer to this as "INITcont" (Initial contributions). The administrator should also calculate the legacy scheme contributions the member would have paid in respect of shareable remediable service, had they been accruing legacy scheme benefits. We will refer to this as "Lcont" (Legacy contributions).

Where the PSO% is different for the legacy and reformed schemes

The administrator should identify:

- The initial contributions paid by the member in relation to shareable remediable service before their tapered transition date. We will refer to this as "INITcont1" (Initial contributions Part 1)
- The initial contributions paid by the member in relation to shareable remediable service on and after the member's tapered transition date. We will refer to this as "INITcont2" (Initial contributions Part 2)

$$\text{INITcont} = \text{INITcont1} + \text{INITcont2}$$

The administrator should also calculate:

- The legacy contributions the member would have paid in relation to shareable remediable service before their tapered transition date, had they been accruing legacy benefits. We will refer to this as "Lcont1" (Legacy contributions Part 1)
- The legacy contributions the member would have paid in relation to shareable remediable service on and after the member's tapered transition date, had they been accruing legacy benefits. We will refer to this as "Lcont2" (Legacy contributions Part 2)

$$\text{Lcont} = \text{Lcont1} + \text{Lcont2}$$

Once the above have been established, the administrator can proceed to calculate:

ContAdjL1	= (INITcont1 – Lcont1) net of tax, with interest applied to transfer day
INITcont1	Initial contributions paid by the member in relation to shareable remediable service before their tapered transition date, before any PSPJOA section 16 contribution adjustment which may have arisen.
Lcont1	Legacy contributions the member would have paid in relation to shareable remediable service before their tapered transition date, had they been accruing legacy benefits.
ContAdjL2	= (INITcont2 – Lcont2) net of tax, with interest applied to transfer day
INITcont2	Initial contributions paid by the member in relation to shareable remediable service on and after the member’s tapered transition date, before any PSPJOA section 16 contribution adjustment which may have arisen.
Lcont2	Legacy contributions the member would have paid in relation to shareable remediable service on and after the member’s tapered transition date, had they been accruing legacy benefits.

ContAdjL = ContAdjL1 + ContAdjL2

ContAdjL1 and ContAdjL2 as components of ContAdjL will be needed for the calculation of Alt_PCEV (see paragraph 2.8 below). INITcont1, INITcont2, Lcont1 and Lcont2 will be needed for calculation of pension debits (see paragraph 4.18 below).

Where the PSO% is the same for the legacy and reformed schemes

ContAdjL	= (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.

There is no need to calculate the components (INITcont1, INITcont2, Lcont1, Lcont2 ContAdjL1 and ContAdjL2).

Please note that

- We expect most members to have paid legacy scheme contributions before tapered transition date: this means ContAdjL1 is likely to be nil and a non-zero ContAdjL is likely to relate to differences in shareable service contributions between the member’s tapered transition date to the earlier of **transfer day** and the day remediable service ends.
- ContAdjL 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 years and 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 ContAdjL) and contribution underpayments (negative ContAdjL).
 - A positive ContAdjL occurs when the member has paid more contributions towards shareable remediable service than they would have in the legacy scheme (in the form of higher reformed scheme contributions on and after the member’s tapered transition date). 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 ContAdjL occurs when the member has paid less contributions towards shareable remediable service than they would have in the legacy scheme (in the form of lower reformed scheme contributions on or after the member’s tapered transition date). 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.

2.7 ContAdjR – stands for Contribution Adjustment Reformed

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

To calculate ContAdjR, the administrator should calculate the reformed scheme contributions the member would have paid in respect of shareable remediable service, had they been accruing reformed scheme benefits. We will refer to this as “Rcont” (Reformed contributions).

Where the PSO% is different for the legacy and reformed schemes

The administrator should calculate:

- The reformed contributions the member would have paid in relation to shareable remediable service before their tapered transition date, had they been accruing reformed benefits. We will refer to this as “Rcont1” (Reformed contributions Part 1)
- The reformed contributions the member would have paid in relation to shareable remediable service on and after the member’s tapered transition date, had they been accruing reformed benefits. We will refer to this as “Rcont2” (Reformed contributions Part 2)

$$\text{Rcont} = \text{Rcont1} + \text{Rcont2}$$

Once the above have been established, the administrator can proceed to calculate:

ContAdjR1	= (INITcont1 – Rcont1) net of tax, with interest applied to transfer day
INITcont1	Initial contributions paid by the member in relation to shareable remediable service before their tapered transition date, before any PSPJOA section 16 contribution adjustment which may have arisen. This is calculated as per paragraph 2.6.
Rcont1	Reformed contributions the member would have paid in relation to shareable remediable service before their tapered transition date, had they been accruing reformed benefits.
ContAdjR2	= (INITcont2 – Rcont2) net of tax, with interest applied to transfer day
INITcont2	Initial contributions paid by the member in relation to shareable remediable service on and after the member’s tapered transition date before any PSPJOA section 16 contribution adjustment which may have arisen. This is calculated as per paragraph 2.6.
Rcont2	Reformed contributions the member would have paid in relation to shareable remediable service on and after the member’s tapered transition date, had they been accruing reformed benefits.

ContAdjR = ContAdjR1 + ContAdjR2

ContAdjR1 and ContAdjR2 as components of ContAdjR will be needed for the calculation of Alt_PCEV (see paragraph 2.8 below). Rcont1 and Rcont2 will be needed for calculation of pension debits (see paragraph 4.18 below).

Where the PSO% is the same for the legacy and reformed schemes

ContAdjR	= (INITcont – Rcont) 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. This is calculated as per paragraph 2.6.
Rcont	Reformed contributions the member would have paid in relation to shareable remediable service, had they been accruing reformed benefits.

There is no need to calculate the components (Rcont1, Rcont2, ContAdjR1 and ContAdjR2).

Please note that

- We expect most members to have paid reformed scheme contributions on and after tapered transition date: this means ContAdjR2 is likely to be nil and a non-zero ContAdjR is likely to relate to differences in shareable service contributions up to the member’s tapered transition date.
- ContAdjR relates to adjustment under PSPJOA section 15 (immediate choice members) or sections 16 and 17 (deferred choice members).

- These calculations should exclude any member contributions in respect of added years and 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 ContAdjR) and contribution underpayments (negative ContAdjR).
 - A positive ContAdjR occurs when the member has paid more contributions towards shareable remediable service than they would have in the reformed scheme (in the form of higher legacy scheme contributions before the member’s tapered transition date). This means if they choose to take reformed scheme benefits for remediable service, they have overpaid contributions (the scheme owes compensation to the member).
 - A negative ContAdjR occurs when the member has paid less contributions towards shareable remediable service than they would have in the reformed scheme (in the form of lower legacy scheme contributions before the member’s tapered transition date). This means if they choose to take reformed 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.

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

This is the alternative value of shareable rights, relating to remediable service, that would have been credited to the PCM.

	<u>Where the PSO% is different for the legacy and reformed schemes*</u>	<u>Where the PSO% is the same for the legacy and reformed schemes</u>
Alt_PCEV is the maximum of:	$\begin{aligned} &(\text{CEVL1} + \text{ContAdjL1}) \\ &\times \text{legacy scheme PSO\%} \\ &+ \\ &(\text{CEVL2} + \text{ContAdjL2}) \\ &\times \text{reformed scheme PSO\%} \end{aligned}$	$(\text{CEVL} + \text{ContAdjL}) \times \text{PSO\%}$
	$\begin{aligned} &(\text{CEVR1} + \text{ContAdjR1}) \\ &\times \text{legacy scheme PSO\%} \\ &+ \\ &(\text{CEVR2} + \text{ContAdjR2}) \\ &\times \text{reformed scheme PSO\%} \end{aligned}$	$(\text{CEVR} + \text{ContAdjR}) \times \text{PSO\%}$

*Effectively, each PSO% relates to a period of remediable service regardless of the style of benefits accrued in that period:

- Legacy scheme PSO% relates to remediable service before the member’s tapered transition date (hence applies to CEVL1 or CEVR1 and any relevant contribution adjustment)
- Reformed scheme PSO% relates to the remediable service on or after the member’s tapered transition date (hence applies to CEVL2 or CEVR2 and any relevant contribution adjustment)

The legacy scheme PSO% and reformed scheme PSO% are the same as those identified in paragraph 2.3.

2.9 **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.

$$\text{RCredAdj} = \text{Alt_PCEV} - \text{Init_PCEV}$$

RCredAdj can be positive or nil, or negative. 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 non-zero.

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.

2.10 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.

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

To calculate Init_PCEV, the administrator should follow paragraph 2.3.

2.12 CEVL – stands for Cash Equivalent Value Legacy

To calculate CEVL, 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 retirement³ 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 relevant 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 retirement³ 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.

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

³ This applies where the members received immediate payment of normal health retirement benefits from either the legacy scheme, or the reformed scheme, or both.

If the member took ill-health retirement⁴ before **transfer day**, the administrator should consider the member’s eligibility for ill-health retirement from the relevant legacy scheme to determine if the 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.

2.13 **CEVR – stands for Cash Equivalent Value Reformed**

To calculate CEVR, the administrator should follow paragraph 2.5 but referring to the member’s pensioner status and age last birthday at the **transfer day** and the following assumptions about reformed scheme benefits:

If the member took normal health retirement⁵ before **transfer day** and, if they were to make a reformed scheme election, would be entitled to elect for immediate retirement benefits from the reformed 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 reformed scheme applied,
- and the member commuted the minimum that would be permitted if the member’s McCloud election was the reformed scheme.

If the member took normal health retirement⁵ before **transfer day** and, if they were to make a reformed scheme election, would not be entitled to elect for immediate retirement benefits from the reformed scheme, the administrator should assume the reformed 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 reformed scheme.

If the member took ill-health retirement⁶ before **transfer day**, the administrator should consider the member’s eligibility for ill-health retirement from the reformed scheme to determine if the 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 reformed scheme at their actual retirement age.

2.14 **UpayAdjL – stands for Underpayment Adjustment Legacy**

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

⁴ This applies where the members received immediate payment of ill-health retirement benefits from either the legacy scheme, or the reformed scheme, or both.

⁵ This applies where the members received immediate payment of normal health retirement benefits from either the legacy scheme, or the reformed scheme, or both.

⁶ This applies where the members received immediate payment of ill-health retirement benefits from either the legacy scheme, or the reformed scheme, or both.

related to the McCloud remedy between retirement and **transfer day** (which would have been based on a mix of legacy scheme and reformed scheme accrual).

To calculate UpayAdjL, the administrator should first calculate the actual benefits received by the member between retirement and **transfer day** in respect of the shareable remediable service. We will refer to this as “ACTpayment” (Actual payments). The administrator should also 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 legacy benefits, using the same assumptions about legacy benefits adopted in calculating CEVL in paragraph 2.12. We will refer to this as “Lpayment” (Legacy payments).

Where the PSO% is different for the legacy and reformed schemes

The administrator should identify:

- The member’s actual payments received, up to **transfer day**, in relation to shareable remediable service before their tapered transition date. We will refer to this as “ACTpayment1” (Actual payments Part 1)
- The member’s actual payments received, up to **transfer day**, in relation to shareable remediable service on and after the member’s tapered transition date. We will refer to this as “ACTpayment2” (Actual payments Part 2)

ACTpayment = ACTpayment1 + ACTpayment2

The administrator should also calculate:

- The legacy benefit payments the member would have received, up to **transfer day**, in relation to shareable remediable service before their tapered transition date, had they been accruing legacy benefits. We will refer to this as “Lpayment1” (Legacy payments Part 1)
- The legacy benefit payments the member would have received, up to **transfer day**, in relation to shareable remediable service on and after the member’s tapered transition date, had they been accruing legacy benefits. We will refer to this as “Lpayment2” (Legacy payments Part 2)

Lpayment = Lpayment1 + Lpayment2

Once the above have been established, the administrator can proceed to calculate:

UpayAdjL1 = (Lpayment1 – ACTpayment1) based on payments up to transfer day, with interest applied to transfer day

Lpayment1 Legacy benefit payments the member would have received, up to **transfer day**, in relation to shareable remediable service before their tapered transition date, had they been accruing legacy benefits.

ACTpayment1 Actual benefit payments received, up to **transfer day**, in relation to shareable remediable service before their tapered transition date.

UpayAdjL2 = (Lpayment2 – ACTpayment2) based on payments up to transfer day, with interest applied to transfer day

Lpayment2 Legacy benefit payments the member would have received, up to **transfer day**, in relation to shareable remediable service on and after the member’s tapered transition date, had they been accruing legacy benefits.

ACTpayment2 Actual benefit payments received, up to **transfer day**, in relation to shareable remediable service on and after the member’s tapered transition date.

UpayAdjL = UpayAdjL1 + UpayAdjL2

UpayAdjL1 and UpayAdjL2 as components of UpayAdjL will be needed for the calculation of Alt_PCEV (see paragraph 2.18 below). ACTpayment1, ACTpayment2, Lpayment1 and Lpayment2 will be needed for calculation of pension debits (see paragraph 4.25 below).

Where the PSO% is the same for the legacy and reformed schemes

UpayAdjL = (Lpayment – ACTpayment) based on payments up to transfer day, with interest applied to transfer day

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.

ACTpayment Actual benefit payments received between retirement and **transfer day**, in relation to shareable remediable service.

There is no need to calculate the components (ACTpayment1, ACTpayment2, Lpayment1, Lpayment2, UpayAdjL1 and UpayAdjL2).

Please note that

- Interest on the underpayment adjustment, as required under the PSPJOA and associated Directions should be applied up to the **transfer day**.
- UpayAdjL can range from being positive to negative.
 - A positive UpayAdjL 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 UpayAdjL 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 UpayAdjL) and overpayments (negative UpayAdjL).
- Underpayments (positive UpayAdjL) would be paid in full so should be calculated gross of tax. Overpayments (negative UpayAdjL) 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. The administrator should address under/overpayments relating to non-McCloud scenarios as per usual procedures; these non-McCloud under/overpayments are not covered by this note.

2.15 UpayAdjR – stands for Underpayment Adjustment Reformed

As the member was a pensioner on the **transfer day**, the divorce calculations associated with the member receiving only the reformed 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** (which would have been based on a mix of legacy scheme and reformed scheme accrual).

To calculate UpayAdjR, the administrator should calculate the reformed benefits the member would have received between retirement and **transfer day** in respect of the shareable remediable service, had they been accruing reformed benefits, using the same assumptions about reformed benefits adopted in calculating CEVR in paragraph 2.13. We will refer to this as “Rpayment” (Reformed payments).

Where the PSO% is different for the legacy and reformed schemes

The administrator should calculate:

- The reformed benefit payments the member would have received, up to **transfer day**, in relation to shareable remediable service before their tapered transition date, had they been accruing reformed benefits. We will refer to this as “Rpayment1” (Reformed payments Part 1)
- The reformed benefit payments the member would have received, up to **transfer day**, in relation to shareable remediable service on and after the member’s tapered transition date, had they been accruing reformed benefits. We will refer to this as “Rpayment2” (Reformed payments Part 2)

$$\text{Rpayment} = \text{Rpayment1} + \text{Rpayment2}$$

Once the above have been established, the administrator can proceed to calculate:

$$\text{UpayAdjR1} = (\text{Rpayment1} - \text{ACTpayment1}) \text{ based on payments up to transfer day, with interest applied to transfer day}$$

Rpayment1 Reformed benefit payments the member would have received, up to **transfer day**, in relation to shareable remediable service before their tapered transition date, had they been accruing reformed benefits.

ACTpayment1 Actual benefit payments received, up to **transfer day**, in relation to shareable remediable service before their tapered transition date. This is calculated as per paragraph 2.14.

$$\text{UpayAdjR2} = (\text{Rpayment2} - \text{ACTpayment2}) \text{ based on payments up to transfer day, with interest applied to transfer day}$$

Rpayment2 Reformed benefit payments the member would have received, up to **transfer day**, in relation to shareable remediable service on and after

the member’s tapered transition date, had they been accruing reformed benefits.

ACTpayment2

Actual benefit payments received, up to **transfer day**, in relation to shareable remediable service on and after the member’s tapered transition date. This is calculated as per paragraph 2.14.

UpayAdjR = UpayAdjR1 + UpayAdjR2

UpayAdjR1 and UpayAdjR2 as components of UpayAdjR will be needed for the calculation of Alt_PCEV (see paragraph 2.18 below). Rpayment1 and Rpayment2 will be needed for calculation of pension debits (see paragraph 4.25 below).

Where the PSO% is the same for the legacy and reformed schemes

UpayAdjR = (Rpayment – ACTpayment) based on payments up to transfer day, with interest applied to transfer day

Rpayment

Reformed benefit payments the member would have received between retirement and **transfer day**, in relation to shareable remediable service, had they been accruing reformed benefits.

ACTpayment

Actual benefit payments received between retirement and **transfer day**, in relation to shareable remediable service.

There is no need to calculate the components (Rpayment1, Rpayment2, UpayAdjR1 and UpayAdjR2).

Please note that

- Interest on the underpayment adjustment, as required under the PSPJOA and associated Directions should be applied up to the **transfer day**.
- UpayAdjR can range from being positive to negative.
 - A positive UpayAdjR 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 reformed scheme. This means if they choose to take reformed scheme benefits for remediable service, they have been underpaid to date (the scheme owes the member money).
 - A negative UpayAdjR 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 reformed scheme. This means if they choose to take reformed scheme benefits for remediable service, they have been overpaid to date (the member owes the scheme money).
- Applicable interest rates differ between underpayments (positive UpayAdjR) and overpayments (negative UpayAdjR).
- Underpayments (positive UpayAdjR) would be paid in full so should be calculated gross of tax. Overpayments (negative UpayAdjR) 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. The administrator should address under/overpayments relating to non-McCloud scenarios as per usual procedures; these non-McCloud under/overpayments are not covered by this note.

2.16 **ContAdjL – stands for Contribution Adjustment Legacy**

To calculate ContAdjL, the administrator should follow paragraph 2.6. Noting that for Group 2, ContAdjL relates to the adjustment under PSPJOA section 15 (immediate choice members).

Where the PSO% is different for the legacy and reformed schemes, ContAdjL1 and ContAdjL2 as components of ContAdjL will be needed for the calculation of Alt_PCEV (see paragraph 2.18 below), INITcont1, INITcont 2, Lcont1 and Lcont2 will be needed for calculation of pension debits (see paragraph 4.28 below).

2.17 **ContAdjR – stands for Contribution Adjustment Reformed**

To calculate ContAdjR, the administrator should follow paragraph 2.7. Noting that for Group 2, ContAdjR relates to the adjustment under PSPJOA section 15 (immediate choice members).

Where the PSO% is different for the legacy and reformed schemes, ContAdjR1 and ContAdjR2 as components of ContAdjR will be needed for the calculation of Alt_PCEV (see paragraph 2.18 below). Rcont1 and Rcont2 will be needed for calculation of pension debits (see paragraph 4.28 below).

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

This is the alternative value of shareable rights, relating to remediable service, that would have been credited to the PCM.

	<u>Where the PSO% is different for the legacy and reformed schemes*</u>	<u>Where the PSO% is the same for the legacy and reformed schemes</u>
Alt_PCEV is the maximum of:	$\begin{aligned} &(\text{CEVL1} + \text{UpayAdjL1} + \text{ContAdjL1}) \\ &\quad \times \text{legacy scheme PSO\%} \\ &+ \\ &(\text{CEVL2} + \text{UpayAdjL2} + \text{ContAdjL2}) \\ &\quad \times \text{reformed scheme PSO\%} \end{aligned}$	$(\text{CEVL} + \text{UpayAdjL} + \text{ContAdjL}) \times \text{PSO\%}$
	$\begin{aligned} &(\text{CEVR1} + \text{UpayAdjR1} + \text{ContAdjR1}) \\ &\quad \times \text{legacy scheme PSO\%} \\ &+ \\ &(\text{CEVR2} + \text{UpayAdjR2} + \text{ContAdjR2}) \\ &\quad \times \text{reformed scheme PSO\%} \end{aligned}$	$(\text{CEVR} + \text{UpayAdjR} + \text{ContAdjR}) \times \text{PSO\%}$

* See paragraph 2.8.

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

To calculate RCredAdj, the administrator should follow paragraph 2.9.

3. Calculation of pension credit adjustments

- 3.1 A positive RCredAdj calculated in paragraph 2.9 or 2.19 will need to be converted into an extra pension credit for the PCM. A negative RCredAdj means that some pension credit will need to be deducted from the PCM’s pension account.
- 3.2 Any pension credit adjustment will be implemented 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 under/ overpayments relating to RCredAdj would need to be addressed by the administrator as appropriate.
- 3.3 The PCM should receive a choice, in accordance with the regulations, whether the pension credit adjustment 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.
- 3.4 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 implement the pension credit adjustment in the reformed scheme (as per paragraph 3.3b) within the required timescale, the pension credit adjustment will be implemented in the legacy scheme (as per paragraph 3.3a).

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 initial pension debits in relation to mixed scheme benefits (which includes shareable remediable benefits). Since the McCloud remedy offers affected members a choice of two alternative benefits for remediable service (all in the legacy scheme or all in the reformed scheme), the offer of these benefits should reflect the corresponding pension debit. Therefore, the administrator should carry out two pension debit calculations relating to shareable remediable service, one based on legacy scheme benefits and one based on reformed scheme benefits, as at the PSO **valuation day**.
- 4.2 The two pension debit calculations should use the **transfer day** as the **calculation date**. They are:
- The legacy scheme pension debit assuming all rights in respect of shareable remediable service are based on benefits in the relevant legacy scheme, calculated using the relevant legacy scheme guidance extant at the original **valuation day**.
 - The reformed scheme pension debit assuming all rights in respect of shareable remediable service are based on benefits in the reformed scheme, calculated using the reformed scheme guidance extant at the original **valuation day**.
- 4.3 In both cases, the percentage(s) used to calculate the pension debit should follow the percentage(s) used in the calculation of Alt_PCEV in paragraph 2.8 or 2.18. The calculations also make use of figures calculated in paragraph 2.4 and 2.5 or 2.12 and 2.13.

	<u>Where the PSO% is different for the legacy and reformed schemes*</u>	<u>Where the PSO% is the same for the legacy and reformed schemes</u>
For Pension debit (legacy), paragraph 4.2a	MRBL1 x legacy scheme PSO% + MRBL2 x reformed scheme PSO%	MRBL x PSO%
For Pension debit (reformed), paragraph 4.2b	MRBR1 x legacy scheme PSO% + MRBR2 x reformed scheme PSO%	MRBR x PSO%

*See paragraph 2.8.

- 4.4 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.

- 4.5 The pension debits relating to non-remediable service will remain unchanged⁷. 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.
- 4.6 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. For immediate choice members, the amount of the mixed scheme debits remains in place until the member has made their choice, but from 1 October 2023 it is applied in the legacy scheme.
- 4.7 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 or reformed scheme, using paragraph 4.2 and 4.3 above (and if applicable paragraphs 4.18, 4.25 and 4.28 below). Such illustrations will require an assumption about the **settlement date** and the member’s commutation choice.

⁷ A PDM may have non-remediable service prior to 1 April 2015 and/ or after 31 March 2022. They may also have non-remediable service within the remedy period of 1 April 2015 and 31 March 2022 due to disqualifying break in service.

For a PDM with non-remediable service in the legacy scheme (which will include all service prior to 1 April 2015), the initial legacy scheme debit calculated at the original valuation day covered both non-remediable and remediable service.

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 parts of the legacy scheme and reformed scheme pension debits 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 election⁸)

Members who make a deferred choice election before retirement

- 4.8 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 4.2a and 4.3 and revalued as per paragraph 4.4 above.
- 4.9 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.
- 4.10 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, calculated as per paragraph 4.2b and 4.3 and revalued as per paragraph 4.4 above.
- 4.11 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

- 4.12 For a member who retires before 1 October 2023, the pension debit at retirement should be based on their pre-roll back mixed scheme benefits and mixed scheme debits.
- 4.13 For a deferred choice pensioner who retires on or after 1 October 2023, the legacy scheme debit should be applied at retirement as per paragraph 4.2a.
- 4.14 In either case, 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 4.4 above. One of these debits will be applied at the point the member makes their McCloud election, as described below.
- 4.15 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

⁸ 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.

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 4.14 above.

- 4.16 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)

- 4.17 In all McCloud cases (including non-divorce) where the member would have paid different remediable service contributions towards benefits based on a mix of legacy scheme and reformed scheme accrual (compared to their final McCloud choice), the administrator would calculate if any contribution adjustment (relating to the whole remediable service) is due.

For immediate choice members (who retired before 1 October 2023), 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**.

- 4.18 **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. 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. They are defined as per paragraph 2.6 and 2.7.

If a member retired before 1 October 2023, the following debits apply as at the **settlement date**. They relate to adjustment under PSPSJOA section 15.

	<u>Where the PSO% is different for the legacy and reformed scheme*</u>	<u>Where the PSO% is the same for the legacy and reformed scheme</u>
If member elects for legacy scheme benefits for remediable service (Deb_AltContAdj)	(INITcont1 – Lcont1) net of tax, with interest applied to settlement date x legacy scheme PSO% + (INITcont2 – Lcont2) net of tax, with interest applied to settlement date x reformed scheme PSO%	(INITcont – Lcont) net of tax, with interest applied to settlement date x PSO%
If member elects for reformed scheme benefits for remediable service (Deb_AltContAdj)	(INITcont1 – Rcont1) net of tax, with interest applied to settlement date x legacy scheme PSO% + (INITcont2 – Rcont2) net of tax, with interest applied to settlement date x reformed scheme PSO%	(INITcont – Rcont) net of tax, with interest applied to settlement date x PSO%

* See paragraph 2.8.

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.

	<u>Where the PSO% is different for the legacy and reformed schemes*</u>	<u>Where the PSO% is the same for the legacy and reformed schemes</u>
1. First debit as at S16 contributions correction date (Deb_AltContAdjS16)	(INITcont1 – Lcont1) net of tax, with interest applied to S16 contributions correction date x legacy scheme PSO% + (INITcont2 – Lcont2) net of tax, with interest applied to S16 contributions correction date x reformed scheme PSO%	(INITcont – Lcont) net of tax, with interest applied to S16 contributions correction date x PSO%
2a. If member elects for legacy scheme benefits for remediable service	No further debit	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)	(Lcont1 – Rcont1) net of tax, with interest applied to settlement date x legacy scheme PSO% + (Lcont2 – Rcont2) net of tax, with interest applied to settlement date x reformed scheme PSO%	(Lcont – Rcont) net of tax, with interest applied to settlement date x PSO%

* See paragraph 2.8.

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.

- 4.19 Note the contribution adjustments above (except the adjustment at 2b above under PSPJOA section 17) should be consistent with the contribution adjustment in paragraph 2.6 or 2.7, but will have interest applied to the **settlement date** (for Deb_AltContAdj relevant to members who retired before 1 October 2023), 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.

- 4.20 As a pensioner on **transfer day**, a tapered member has been receiving payments based on service in both the legacy and reformed schemes, and so their benefits (including the debit in respect of shareable remediable benefits) will need to be updated when an irrevocable McCloud choice is implemented.
- 4.21 When the member makes (or is defaulted to) their McCloud choice, the administrator should work out what the payment streams in the chosen scheme would have been from the member’s actual retirement age, allowing for the member’s actual (or default) 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 debit to this pension. The debit for the chosen scheme should be calculated as per paragraph 4.2 to 4.4.
- 4.22 Where the pension debit is 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).
- 4.23 In some cases, Cash Equivalent Value Legacy (CEVL) and/or Cash Equivalent Value Reformed (CEVR) may include allowance for rights in respect of shareable remediable service which are not yet in payment at **transfer day** (see paragraphs 2.10, 2.12 and 2.13). 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

- 4.24 In all McCloud pensioner cases (including non-divorce), when the member chooses to receive scheme benefits which would have been different to what they have been receiving, 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.
- 4.25 **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. The calculations differ depending on the member’s McCloud choice. For the remainder of this paragraph, all payment items are in respect of the shareable remedy period and based on payments up to **transfer day**. They are defined as per paragraph 2.14 and 2.15, but are based on the member’s actual McCloud choice and amount commuted.

	<u>Where the PSO% is different for the legacy and reformed schemes*</u>	<u>Where the PSO% is the same for the legacy and reformed schemes</u>
If member elects for legacy scheme benefits for remediable service	$\begin{aligned} &(\text{Lpayment1} - \text{ACTpayment1}) \text{ with interest applied to settlement date} \\ &\quad \times \text{legacy scheme PSO\%} \\ &+ \\ &(\text{Lpayment2} - \text{ACTpayment2}) \text{ with interest applied to settlement date} \\ &\quad \times \text{reformed scheme PSO\%} \end{aligned}$	$(\text{Lpayment} - \text{ACTpayment}) \text{ with interest applied to settlement date} \times \text{PSO percentage}$
If member elects for reformed scheme benefits for remediable service	$\begin{aligned} &(\text{Rpayment1} - \text{ACTpayment1}) \text{ with interest applied to settlement date} \\ &\quad \times \text{legacy scheme PSO\%} \\ &+ \\ &(\text{Rpayment2} - \text{ACTpayment2}) \text{ with interest applied to settlement date} \\ &\quad \times \text{reformed scheme PSO\%} \end{aligned}$	$(\text{Rpayment} - \text{ACTpayment}) \text{ with interest applied to settlement date} \times \text{PSO percentage}$

* See paragraph 2.8.

Deb_AltUpayAdj is a positive number if the scheme owes the member money and a negative number if the member owes the scheme money.

- 4.26 The notes in paragraph 2.14 or 2.15 apply but because the underpayment adjustment in paragraph 4.25 is based on the member’s actual commutation choice, it may be different to the underpayment adjustment in paragraph 2.14 or 2.15 (which assumed that the member commuted the minimum permitted in each alternative scheme).
- 4.27 Please note that for the purposes of calculating the underpayment adjustment above, 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 4.22.

Contribution adjustment debit(s)

- 4.28 The contribution adjustment debit, if relevant, should be calculated and implemented in accordance with paragraphs 4.17 to 4.18.
- 4.29 Note the contribution adjustment above should be consistent with the contribution adjustment in paragraph 2.16 or 2.17, 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