

The Firefighters' Pension Scheme (England)

McCloud guidance examples – applying McCloud remedy to prospective divorce cases

Michael Scanlon FIA C.Act 23 May 2025

Government Actuary's Department

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Contents

| Introduction3 |
|---|
| Example 1 – An active remedy member requests a CEV for divorce purposes; resulting PSO includes a legacy annex; member has not retired by valuation day5 |
| Example 2 – An active member requests a CEV for divorce purposes; resulting PSO includes a reformed annex only9 |
| Example 3 – A pensioner member (immediate choice, remedy election known) requests a CEV for divorce purposes; all over/underpayments have been settled; resulting PSO includes a legacy annex12 |

Introduction

These examples are provided to demonstrate the calculations set out in the Pension Sharing on Divorce for McCloud members Initial Cash Equivalent Value calculation on or after 1 October 2023 – "Prospective – full guidance" (the McCloud guidance note) dated 21 March 2025. These examples should be read in conjunction with that guidance note.

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

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

All of the examples in this document refer to:

- For cash equivalent calculations:
 - Legacy schemes guidance:
 - The Firefighters' Pension Scheme (England) 1992, The Firefighters' Pension Scheme (Wales) 1992, The Firefighters' Pension Scheme (Northern Ireland) 2007: Statutory Cash Equivalent Transfer Values and Club Transfers Out: Factors and guidance dated 30 January 2020
 - The New Firefighters' Pension Scheme 2006 (England), The New Firefighters' Pension Scheme 2007 (Wales), The New Firefighters' Pension Scheme 2007 (Northern Ireland): Individual Cash Equivalent Transfers: Guidance & Factors for CETVs: CETV factors effective 29 October 2018 to 28 March 2023 dated 9 August 2024
 - The New Firefighters' Pension Scheme (England) 2006, The New Firefighters' Pension Scheme (Wales) 2007, The New Firefighters' Pension Scheme (Northern Ireland) 2007: Pensioner cash equivalents on divorce, pension credits and Pension debits: Factors and guidance dated 6 March 2020
 - Reformed scheme guidance: The Firefighters' Pension Scheme 2015 (England): Individual Cash Equivalent Transfers: Factors and guidance dated 30 January 2020
 - The cash equivalent factors issued 24 May 2023 in the consolidated factor spreadsheet
- For pension credit calculations:
 - Legacy schemes guidance:
 - The Firefighters' Pension Scheme (England) 1992, The Firefighters' Pension Scheme (Wales) 1992, The Firefighters' Pension Scheme (Northern Ireland) 2007: Pensioner cash equivalents on divorce, pension credits and pension debits: Factors and guidance dated 6 March 2020
 - The New Firefighters' Pension Scheme (England) 2006, The New Firefighters' Pension Scheme (Wales) 2007, The New Firefighters' Pension Scheme (Northern Ireland) 2007: Pensioner cash equivalents on divorce, pension credits and Pension debits: Factors and guidance dated 6 March 2020

- Reformed scheme guidance: The Firefighters' Pension Scheme 2015 (England): Pension Sharing on Divorce: Factors and guidance dated 30 January 2020
- The pension credit factors issued 24 May 2023 in the consolidated factor spreadsheet

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

Compliance and limitations

These examples have been prepared for use by the scheme managers and scheme administrators of the Firefighters' Pension Scheme (England) (the Scheme) for the purpose of applying the McCloud remedy to prospective divorce cases. They were commissioned by the Ministry of Housing, Communities and Local Government (MHCLG) in its role as responsible authority for the Scheme, and were prepared by GAD in our role advising the responsible authority on the Scheme.

These examples may be published on MHCLG's, LGA's and scheme administrators' websites.

Other than the responsible authority, no person or third party is entitled to place any reliance on the contents of these examples, except to any extent explicitly stated herein. GAD has no liability to any person or third party for any action taken or for any failure to act, either in whole or in part, on the basis of these examples, whether or not GAD has agreed to the disclosure of its advice to the third party.

These examples have been prepared in accordance with the applicable Technical Actuarial Standard: TAS 100 issued by the Financial Reporting Council (FRC). The FRC sets technical standards for actuarial work in the UK.

Example 1 – Active remedy member with no final McCloud choice (throughout divorce), legacy annex received

The following scenario is considered in this example:

| Remedy choice: | Not known by initial CEV date or Transfer day |
|--------------------------|---|
| Member status: | Active (at initial CEV date and Transfer day) |
| Contribution adjustment: | Required for reformed scheme calculation |
| PSO received: | Legacy annex only |

Member data required

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

Data required for remedy calculations

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

| Remedy period benefits | If accrued in legacy scheme | If accrued in reformed scheme |
|---|-----------------------------|-------------------------------|
| Scheme | 1992 Scheme | 2015 scheme |
| Deferred pension age | 60 | 67 |
| Pension | £3,500.00 | £3,500.00 |
| Lump sum | n/a | n/a |
| Survivor pension | £1,750.00 | £1,750.00 |
| Contribution adjustment ¹ (contadjR) | Nil | £2,730.00 |
| NI modification | £0.00 | £0.00 |

¹ This contribution adjustment is net of tax and with interest applied to calculation date, 1 April 2025.

Calculation of initial CEVs for PSO determination

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

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

| Service period | Scheme | Calculation method | Value (CEVL) |
|------------------------------|-------------|--|--------------|
| Tranche 2 (Legacy scheme) | 1992 Scheme | Applying the legacy scheme cash equivalent guidance to the benefits shown above 'If accrued in legacy scheme' Factors from Table A1 (Table 201 in the consolidated factors spreadsheet) | £61,250.00 |

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

| Service period | Scheme | Calculation method | Value (CEVR) |
|--------------------------------|-------------|--|--------------|
| Tranche 2 (Reformed scheme) | 2015 scheme | Applying the reformed scheme cash equivalent guidance to the benefits shown above 'If accrued in reformed scheme' | £49,805.00 |
| | | Factors from Table 7 (Table 212 in the consolidated factors spreadsheet) | |

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

RCEV = Maximum (CEVL, CEVR + contadjR) = Maximum (£61,250.00, £49,805.00 + £2,730.00) = £61,250.00

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

Calculations of the value of shareable rights

Assume the court issues a PSO as follows:

| 1992 Scheme | 40.00% share |
|-------------|--------------|
| 2015 scheme | 40.00% share |

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

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

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

RRCEV = £61,250.00

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

RPCEV = RRCEV x legacy scheme PSO% = £61,250.00 x 40.00% = £24,500.00

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

Calculation of the pension credit

Step 1 - Calculation of the remediable pension credit

| Service period | Payable from | Calculation method | Ex-partner pension credit amounts |
|-------------------|--------------|--|--|
| Tranche 2 | 1992 Scheme | Applying the legacy scheme pension credit guidance The Normal Pension Age for the PCM is 60 | Pension of £1,400.00 p.a. Lump sum of £0.00 |
| | | Factors from Table J (Table 313 in consolidated factors spreadsheet), assuming the PCM is age 47 at the transfer day | |

This should be calculated using the RPCEV set out above.

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

Calculation of the pension debit

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

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

| Service period | Pension debit amounts | |
|--------------------------------|--|--|
| Tranche 2 (Legacy scheme) | Based on benefits shown above 'lf accrued in legacy scheme' Member's pension debit = 40.00% x £3,500.00 = £1,400.00 p.a. Survivor's pension debit = 40.00% x £1,750.00 = £700.00 p.a. | |
| Tranche 2 (Reformed scheme) | Based on benefits shown above 'If accrued in reformed scheme' Member's pension debit = 40.00% x £3,500.00 = £1,400.00 p.a. Survivor's pension debit = 40.00% x £1,750.00 = £700.00 p.a. Contribution adjustment debit = 40.00% x £2,730.00 = £1,092.00 p.a. | |

Both sets of debit calculations in respect of the remediable service should be recorded on the administration system and revaluation should apply to both as usual (in the case of the contribution debit, 'revaluation' is in line with interest on the contribution adjustment, using the NS&I methodology, or alternatively the contribution debit can be calculated as 40% of the contribution adjustment net of tax with interest to the settlement date). Pension debits in respect of Tranche 1 and Tranche 3 benefits should be calculated as normal.

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

The following scenario is considered in this example:

| Remedy choice: | Not known by initial CEV date |
|--------------------------|--|
| Member status: | Active |
| Contribution adjustment: | Required for reformed scheme calculation (assuming the member has paid legacy contributions) |
| PSO received: | Reformed annex only |

Member data required

| Status | Active |
|--|----------------|
| Initial CEV calculation date | 1 October 2026 |
| Member's age at initial CEV calculation date | 48 |

Data required for remedy calculations

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

| Remedy period benefits | If accrued in legacy scheme | If accrued in reformed scheme |
|---|-----------------------------|-------------------------------|
| Scheme | 2006 Scheme | 2015 Scheme |
| Normal pension age | 65 | 67 |
| Pension | £4,100.00 | £4,100.00 |
| Lump sum | n/a | n/a |
| Survivor pension | £2,050.00 | £2,050.00 |
| NI modification | £0.00 | £0.00 |
| Contribution adjustment ² (contadjR) | Nil | -£4,900.00 |

² This contribution adjustment is net of tax and with interest applied to calculation date, 1 October 2026.

Calculation of initial CEVs for PSO determination

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

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

| Service period | Scheme | Calculation method | Value (CEVL) |
|---------------------------------|-------------|---|--------------|
| Tranche 2 (Legacy scheme) | 2006 Scheme | Applying the legacy scheme cash equivalent guidance to the benefits shown above 'If accrued in legacy scheme' | £62,320.00 |
| | | Factors from Table A2 (Table 204 in the consolidated factors spreadsheet) | |

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

| Service period | Scheme | Calculation method | Value (CEVR) |
|-----------------------------------|-------------|--|--------------|
| Tranche 2 (Reformed scheme) | 2015 Scheme | Applying the reformed scheme cash equivalent guidance to the benefits shown above 'If accrued in reformed scheme' Factors from Table 8 (Table 213 in the consolidated factors spreadsheet) | £56,703.00 |

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

RCEV = Maximum (CEVL, CEVR + contadjR) = Maximum (£62,320.00, £56,703.00 + -£4,900.00) = £62,320.00

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

Calculations of the value of shareable rights

Assume the court issues a PSO as follows:

2015 Scheme 40.00% share

In this case, no 2006 Scheme benefits are to be shared.

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

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

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

The following scenario is considered in this example:

| Remedy choice: | Known by initial CEV date |
|--------------------------|---|
| Member status: | Pensioner |
| Contribution adjustment: | Not required (the guidance assumes that any necessary contribution adjustment for an Immediate Choice member has been settled prior to divorce calculation) |
| PSO received: | Legacy annex only |

Member data required

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

Data required for remedy calculations

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

| Remedy period benefits | |
|------------------------|-------------|
| Scheme | 2006 Scheme |
| Pension | £3,500.00 |
| Lump sum | n/a |
| Survivor pension | £1,750.00 |
| Pre 88 GMP | £0.00 |
| Post 88 GMP | £0.00 |

Calculation of initial CEVs for PSO determination

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

| Step 1 - Calculation of Remedia | ble Cash Equivalent Value (RCEV) |
|---------------------------------|----------------------------------|
|---------------------------------|----------------------------------|

| Service period | Scheme | Calculation method | Value (RCEV) |
|---------------------------------|-------------|--|--------------|
| Tranche 2 (Legacy scheme) | 2006 Scheme | Applying the legacy scheme cash equivalent guidance to the benefits shown above Factors from Table F2 (Table 306 in the consolidated factors spreadsheet) | £76,282.50 |

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

Calculations of the value of shareable rights

Assume the court issues a PSO as follows:

| 2006 Scheme | 40.00% share |
|-------------|--------------|
| | |

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

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

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

RRCEV = $\pounds76,282.50$

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

RPCEV = RCEV x legacy scheme PSO% = £76,282.50 x 40.00% = £30,513.00

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

Calculation of the pension credit

Step 1 – Calculation of the remediable pension credit

This should be calculated using the RPCEV set out above.

| Service period | Payable from | Calculation method | Ex-partner pension credit amounts |
|---------------------------------|--------------|---|-----------------------------------|
| Tranche 2 (legacy scheme) | 2006 Scheme | Applying the legacy scheme pension credit guidance The Normal Pension Age for the ex-spouse is 65 Factors from Table J (Table 314 in consolidated factors spreadsheet), assuming the ex-spouse is age 64 at the transfer day | • Pension of £1,636.96 p.a. |

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

Calculation of the pension debit

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

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

| Service period | Pension debit amounts |
|----------------|--|
| Tranche 2 | Based on benefits shown above 'Accrued in legacy scheme' Member's pension debit = 40.00% x £3,500.00 = £1,400.00 p.a. Survivor pension debit = 40.00% x £1,750.00 = £700.00 p.a. |

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