

Ombudsman's Determination

Applicants	Mr L & Mr E (the Applicants)
Scheme	Nokia UK Retirement Plan (the Plan)
Respondents	Nokia UK Ltd (Nokia) Trustee to the Nokia Retirement Plan (the Trustee) Mercer UK Ltd (Mercer)

Outcome

1. I do not uphold the Applicants' complaint and no further action is required by Nokia, the Trustee or Mercer.

Complaint summary

2. The Applicants complained that they have been refused additional pensionable service despite receiving a letter which stated otherwise. As a result, the Applicants argued that their annual pension is now lower through no fault of their own.

Background information, including submissions from the parties

3. The sequence of events is not in dispute, so I have only set out the salient points. I acknowledge there were other exchanges of information between all the parties.
4. The Applicants were employed by Nokia and were members of the Nokia 1990 Final Salary Section. The Scheme Administrator is Mercer.
5. On 26 April 2012, Nokia sent the Applicants a letter which confirmed that the final salary section would close for future accrual on 30 April 2012. From this date, the Applicants would hold a deferred final salary benefit in the Nokia Solutions and Networks Trust (**NSN Trust**). Nokia provided the Applicants with the following information regarding their deferred final salary benefits:

“For all members who have accrued DB benefits up to the proposed date of closure, those benefits will continue to be linked to final pensionable salary. At the time a member leaves the Plan, the Plan administrator will calculate the member's deferred benefit as the greater of:

- (a) The value of the deferred benefit at 30 April 2012 increased in accordance with UK legislation and the Plan rules to the date the member leaves the Plan; and
- (b) The value of the deferred benefit at 30 April 2012 increased in line with changes to final pensionable salary to the date the member leaves the Plan.

If the member does not draw a pension benefit at the time they leave the Plan, the value of the deferred benefit will continue to increase in accordance with UK legislation and the Plan rules for the period of time between leaving NSN UK and drawing a pension benefit.”

6. From the 1 May 2012, Nokia enrolled the Applicants into a new defined contribution (**DC**) arrangement.
7. In 2016, Nokia acquired the Alcatel-Lucent UK Group which had its own separate final salary pension scheme. Members of the Alcatel-Lucent UK Group’s final salary pension scheme (**Alcatel-Lucent Pension Scheme**) were still accruing final salary benefits.
8. On 26 January 2018, Nokia sent the Applicants a letter which proposed changes to the current pension structure. It wanted to close all current pension schemes for future accrual and open a new DC arrangement for all members. Nokia provided members with a consultation period between 29 January and 29 March 2018 to query the changes and propose any potential changes.
9. On 17 April 2018, after the consultation period ended, Nokia sent the Applicants a letter which confirmed the changes which had been made (**the April 2018 Letter**). In this letter, it was confirmed that:-
 - Nokia had decided to terminate all future final salary service accrual for active members of any final salary section.
 - It would introduce a new DC scheme aligning all future pension arrangements.
 - The new DC Scheme would take effect from 1 May 2018.
10. In addition, under the heading, ‘DB Related Benefits’ in NSN and Alcatel Lucent Trusts’, (**the Extract**) Nokia said that:

“The deferred DB benefit in the NSN and Alcatel Lucent UK Pension Schemes will increase during the period of deferment. At the time employment with Nokia UK ceases the value of the deferred DB benefit will be the greater of (i) the deferred DB benefit increased in accordance with the plan rules or (ii) the value calculated considering years of service to 30 April 2018 and pensionable pay up to date of termination of employment. All employees who are active DB members as at 30 April 2018 will receive a benefit statement as soon as possible after 1 May 2018 showing (a) the value of their deferred DB benefit as at 30 April 2018, (b) any ‘DB related benefits’ eg. Death in service, (c) a comment on whether there is a requirement to be in employment with Nokia to be eligible for each DB related

benefit and (d) whether that DB related benefit would no longer apply in the event of a 'buy-in' or 'wind-up' (employees would be provided with written notice of any such action on the part of the Trust)."

11. On 5 June 2019, based on the Extract, Mr L contacted Mercer, requesting a new annual benefit statement to include the additional pensionable service up to 30 April 2018. Mr L stated that he had based his financial planning on the contents of the April 2018 Letter.
12. On 14 January 2020, following an exchange of information, Mercer told Mr L that the Extract was only applicable to active members of a final salary arrangement. As Mr L was not an active final salary member, he was not entitled to additional pension service up to 30 April 2018.
13. In March 2020, the Applicants each raised a complaint under the Internal Dispute Resolution Procedure (**IDRP**) based on the Extract. The Applicants highlighted the paragraph below:

"... the value of the deferred DB benefit will be the greater of (i) the deferred DB benefit increased in accordance with the plan rules or (ii) the value calculated considering years of service to 30 April 2018".
14. In relation to this, the Applicants said that:-
 - Mercer's interpretation of the Extract was incorrect and not in accordance with the actual statement made.
 - As a result, they wanted a revised annual benefit statement issued, based on pensionable service up to 30 April 2018.
15. In response to the IDRP, the Trustee said that:-
 - It did not accept that the Extract could reasonably be read by any non-final salary member as giving rise to additional final salary pensionable service, as the final salary section had been closed since April 2012.
 - The extract was only relevant for active members of a final salary arrangement.
 - It had a duty to pay benefits in accordance with the Plan Rules. It did not have the power to grant additional pensionable service to the Applicants as they were not active members of a final salary section.

Adjudicator's Opinion

16. The Applicants' complaint was considered by one of our Adjudicators who concluded that no further action was required by Nokia, the Trustee or Mercer. The Adjudicator's findings are summarised below:-

- The main part of the Applicants' complaint revolves around the Extract. So, it is important to understand what was said and how it relates to the Applicants.
- On 30 April 2012, the Nokia 1990 Final Salary Section closed to future accrual and the Applicant's benefits from that section were deferred for payment at a later date. They therefore ceased to be active members of the final salary section from this time.
- In 2016, Nokia acquired the Alcatel-Lucent UK Group which had an open final salary arrangement.
- The contents of the April 2018 Letter confirmed that all current pension arrangements had been closed for future accrual from 30 April 2018 and replaced by the Plan.
- The Extract refers to active members of the final salary arrangements within the NSN and Alcatel-Lucent Trusts. The wording in the Extract could have been made clearer for members to understand, however, what is evident is that the Extract refers to active members of a final salary arrangement as at 30 April 2018. As the Applicants' final salary arrangement closed in April 2012, it follows that the Extract is not relevant to them. The Applicants have not disputed the fact that they were no longer active members of a final salary arrangement.
- In April 2012, following the closure of the final salary arrangement, the Applicants were informed of how their benefits would be calculated at retirement. There is nothing in the Plan Rules that allows the Trustee to award additional pensionable service to its members. The Trustee has correctly followed the Plan Rules and the Extract is only applicable to active members of a final salary arrangement as at 30 April 2018. So, no maladministration has occurred.

17. The Applicants did not accept the Adjudicator's Opinion and the complaint was passed to me to consider. The Applicants provided their further comments which do not change the outcome. I agree with the Adjudicator's Opinion and note the additional points raised by the Applicants. The Applicants remained dissatisfied on two points. They said that:-

- The Extract does not limit the calculation of deferred benefits to active members only. The Extract sets out how the Applicants deferred benefit within the NSN Trust would increase during deferment.
- It is for the Trustee to set the Plan Rules in accordance with the commitments set out in the Extract. The failure to action what was set out in the Extract, is not the fault of the members.

Ombudsman's decision

18. I appreciate the wording in the Extract is not clear and is open to interpretation. However, the Applicants cannot pick the section relevant to themselves and must

consider the Extract as a whole. The Extract refers to active DB members as at 30 April 2018 only. As the Applicants ceased accruing DB benefits in April 2012, the Extract does not apply to them.

19. When the NSN Trust closed for future accrual in April 2012, Nokia sent the Applicants a letter on how their deferred pension benefits would be valued once they left the Plan. This letter set out two options on how it would calculate the deferred pension benefits, neither included the option of providing additional pensionable service. Further, Nokia did not give any indication that the method of calculating the deferred pension benefits at date of leaving would change.
20. The Trustee must follow the Plan Rules which do not allow for additional pensionable service to be granted to the Applicants.
21. I do not uphold the Applicants' complaint.

Anthony Arter

Pensions Ombudsman
16 December 2021