Ombudsman's Determination

Applicant	Mr E
Scheme	Cobham Pension Plan (**the Plan**)
Respondent	The Trustees of the Cobham Pension Plan (**the Trustees**)

Outcome

1. I do not uphold Mr E's complaint and no further action is required by the Trustees.

Complaint summary

2. Mr E has complained because he is dissatisfied that the Trustees have not provided him with calculations to show why the cash equivalent transfer value (**CETV**) of his benefits was lower in 2022 than it was in 2021.

Background information, including submissions from the parties

3. Mr E is a deferred member of the Plan, a defined benefit arrangement. In June 2021, the Plan's administrator (**the Administrator**) sent Mr E a CETV illustration which showed the CETV of his benefits in the Plan was £352,296 (**the 2021 CETV**).

4. In May 2022, following his request, the Administrator sent Mr E a further CETV illustration of his benefits in the Plan (**the 2022 CETV**). The value of the CETV on this illustration was £315,704, and the value was guaranteed until 17 August 2022.

5. Between 24 May and 9 June 2022 inclusive:-

   - Mr E queried with the Administrator how the 2022 CETV had been calculated and why the value was less than the value of the 2021 CETV.

   - The Administrator explained why values of CETVs can decrease as well as increase and it confirmed that the 2022 CETV and the 2021 CETV were based on Mr E's deferred benefits in the Plan.

6. On 15 June 2022, Mr E raised a complaint by telephone with the Administrator (**the Telephone call**). He requested a detailed breakdown of the calculations so he could understand the difference between the two CETVs.

7. On 24 June 2022, the Administrator replied to Mr E and provided him with the Plan Actuary's (**the Actuary**) explanation for the difference in the values.

8. On 27 June 2022, Mr E wrote to the Administrator and said in summary:-

   - He was disappointed with the response from the Actuary. The response was no different to its previous response, which he had complained did not provide him with the information he had asked for.

   - During the Telephone call he clearly explained the information he wanted the Actuary to provide. His request was clearly understood because the call handler had read back to him the email they were going to send to the Actuary.

   - He made it clear that he wanted to see calculations with figures, showing clearly how the formulas and the calculations applied resulted in the 2021 and 2022 CETVs. He also said that he wanted to see clearly in the calculation how the difference of over £50,000 came about.

   - The response from the Actuary contained information he already knew. The Actuary failed to listen to him and as a result, failed to provide him with the information he requested, which he was entitled to.

   - He believed it was deliberately not providing him with the information. It had wasted his time and he felt insulted by its responses. So, he requested details of the Plan's Internal Dispute Resolution Procedure (**IDRP**).

9. On 23 July 2022, Mr E made a complaint under the Plan's IDRP. In summary he said:-

   - He found it grossly disappointing that he had to invoke the IDRP in order to get the information that he first requested by telephone on 25 April 2022. Despite further telephone calls to the Administrator and his email of 27 June 2022, explaining very clearly the information he wanted, he found it surprising that the information was not provided to him.

   - He had not been listened to and his request was disregarded. He felt insulted by the responses he had received.

   - There was a deadline of 17 August 2022 by which he had to return the Transfer Request and Discharge Form to the Administrator. As he could not make that decision until this dispute was resolved, he would hold the Trustees accountable for any adverse impact on the value of his benefits as a result of this dispute.

   - He was asking one final time to be provided with the information he requested. If he did not get a satisfactory response within the deadline of the IDRP, he would escalate his complaint to The Pensions Ombudsman (**TPO**).

- He would be seeking adequate compensation for any loss in value to his benefits and for the impact on his family's wellbeing. This situation had been a source of discomfort and stress to his family.

10. On 22 September 2022, the Trustees replied to Mr E, not upholding his complaint. They provided a timeline of the events that occurred between 14 June 2021 and 16 September 2022 inclusive. The Trustees also provided some additional comments, and these have been summarised below, in paragraphs 11 to 24.

11. As a deferred member of the Plan, he was entitled to receive a pension from the Plan when he reached his normal retirement age (**NRA**) of 65. That pension is calculated as 1/60th of his final pensionable salary for each year of his pensionable service in the Plan.

12. The 2022 CETV showed that when he left pensionable service on 24 March 2006, he had built up a pension of £8,707.81 per annum. This figure would be revalued in line with the rules of the Plan until he chose to retire, to help offset the impact of inflation.

13. Once he retired, his pension would be paid for life (and receive further increases each year in line with the rules of the Plan) and in some circumstances benefits would be paid to his dependants after he died.

14. Alternatively, he could choose to transfer his benefits out of the Plan instead of receiving his pension. This would require the Trustees to place a capital value on his benefits. Broadly, the CETV must be the Trustees' best estimate at the point of calculation of how much money would be needed to provide the pension payments he was expected to receive from the Plan. This was a very complex assessment, and required the Trustees to make assumptions about a number of factors, including:-

    - The rate of inflation both before and after his pension comes into payment.
    - When he will start to receive a pension.
    - How long his pension would be paid for.
    - What rate of return the capital value will receive.[1]

15. The assumptions changed continually, depending on financial conditions at the time a calculation was made. A CETV is guaranteed for three months to provide members with some certainty about the amount that would be paid, but it was important that the Trustees can re-calculate the amount after that period to take account of any changes in financial conditions. This ensured that members who transferred their benefits out of the Plan received a fair share of the Plan's assets.

[1] The Trustees explained that they assumed Mr E's benefits would remain invested until he claimed his pension.

16. The Trustees took advice on all the factors from their actuarial adviser, which was why in many cases, including his, the calculation of a CETV was sent to the Actuary to be checked.

17. The Trustees noted that when he called the Administrator on 15 June 2022 he had asked for a detailed breakdown and an explanation in layman's terms to help him understand the difference between the two CETVs. In response to his complaint the Trustees asked the Actuary if it was possible to provide him with a detailed explanation of how the CETVs sent to him in 2021 and 2022 were calculated.

18. There was no simple formula for calculating a CETV, but the Actuary explained the complexities and variables, which the Trustees hoped would have helped him to understand the calculations that were undertaken when he requested a CETV illustration, and why those calculations resulted in materially different amounts.[2]

19. The Trustees have a duty to ensure that the correct benefits are paid to members in accordance with the Plan's rules and relevant legislation. The Plan was currently governed by the Sixth Definitive Deed and Rules dated 13 September 2013 (**the Rules**). The relevant legislation for members who left the Plan before their normal retirement date is contained in the Pension Schemes Act 1993 (**the 1993 Act**).

20. Under Rule 6 (Schedule 2 – General Rules) of the Rules, the Trustees can pay a CETV in accordance with the 1993 Act. The Trustees do not have a power to calculate the CETV amount on a basis other than that permitted by the legislation. The Trustees considered the actuarial assumptions used for calculating a CETV on a periodic basis and were satisfied that the assumptions they had adopted were in line with their statutory obligations and any requirements under the Rules.

21. The legislation provides that the calculation of a CETV only lasts for a prescribed period. His initial CETV lasted until 11 October 2021. He did not transfer his benefits from the Plan within that time. When he requested a new CETV in May 2022, the Trustees were obliged to carry out a new calculation based on the market conditions and actuarial assumptions at the time of the new request.

22. When the Trustees pay a CETV, they have to consider their fiduciary duty to all members of the Plan. In this case, were the Trustees to calculate a CETV on a different basis and pay a higher amount than his entitlement, it may not be fair and reasonable with respect to other members provided with a CETV at the same time or indeed to members who did not transfer out and remained entitled to receive benefits from the Plan.

23. The Trustees had reviewed all of the available evidence in relation to his case and concluded that the CETVs issued to him in 2021 and 2022 were calculated correctly, in line with the Trustees' obligations under the Rules and applicable legislation.

[2] The Trustees provided the Actuary’s explanation in the Appendix to its IDRP response to Mr E’s complaint.

24. They noted his comments about delays in responding to his request for a detailed calculation. As he would appreciate, the issues involved were not straightforward and a certain period was required to ensure that he was provided with accurate information that he would understand. They were of the view that the Administrator had provided the information he requested, in a timely manner.

25. Subsequently, Mr E referred his complaint to TPO. Mr E and the Trustees provided further comments to TPO, and these have been summarised below.

Summary of Mr E's position

26. When he received the 2022 CETV, he believed there was a miscalculation given that pension funds had been performing well. He requested a detailed calculation of how the values of the two CETVs had been calculated, showing clearly why there was a difference in values.

27. For assurance and transparency, he needed to see the calculations that led to the two values quoted. He made this very clear but for some reason he was not being provided with the required information.

28. The Trustees' argument that it was not possible for them to provide him with a step-by-step calculation, with an explanation using layman terms was baseless and unfounded. He has an honours degree in Electronics Engineering, which meant that he studied advanced mathematics for several years at university.

29. Everyone knows that if you apply mathematical formulas and make assumptions in a calculation that results in a value, you should be able to write down all the calculation steps that led to the end value. The Actuary went through calculation steps to arrive at the figures quoted on the CETVs. Those were the calculations he asked for and which they should have provided, because they exist.

30. The Trustees understood clearly what information he requested but refused to provide it. They have a duty to be transparent and he has the right, even under the General Data Protection Regulations to ask for the information. Their responses to him and to TPO seemed to indicate that they just plucked figures out of the air in determining a pension value. If that was the case, they could quote whatever value as it suits them, and in his case, they decided to wipe out quite a substantial amount from the value of his benefits.

31. The Trustees failed to provide tangible evidence in their response to his complaint, compared to the evidence that he provided to TPO, which consisted of tangible evidence of communication and a timeline to support his claim.

32. In relation to the Trustees' comments concerning him not suffering a financial loss, he feels insulted by that response. They missed the key point that their actions prevented his family from making an informed decision about his benefits and resulted in loss of value, at that point in time, which will never be recovered. The impact on his family of not being able to make decisions that would have benefited

them cannot be reversed. He also suspects that the value of his benefits is lower now compared to then.

33. The manner in which the Trustees disregarded the emotional stress they have caused he and his family prove that this is a very irresponsible organisation. He suspects they are detached from reality and lack empathy. He knows the detrimental impact that this matter has had on his family, especially his wife. For the Trustees to say that it does not meet the criteria for a non-financial injustice award, is totally wrong.

34. As a company interacting with the public, they need to be educated and made aware that emotional stress is a very serious health matter, and that they have a duty of care to the public they serve, to ensure that their behaviour and policies do not cause emotional stress.

35. Their failure to provide the information and their lengthy IDRP prevented him from meeting the deadline of the 2022 CETV, which was 17 August 2022. So, he was at risk of further loss in value of the CETV of his benefits. It was irresponsible of the Trustees to continue counting down time to the deadline while the dispute remained unresolved.

36. He has potentially suffered financial loss in terms of the CETV of his benefits. He has suffered emotional loss due to stress, inconvenience and anxiety caused to his family.

37. He wanted the Trustees to:

- provide the information that showed calculation steps, with the numbers showing clearly how they arrived at the quoted values. This information would enable him to see why there was a reduction;

- reinstate the transfer value of £352,296 if they were unable to justify the reduction in value through the calculation;

- be held accountable and to compensate him appropriately should there be further loss in the CETV of his benefits, because their failure to respond appropriately and in a timely manner prevented him from meeting the deadline of 17 August 2022 and put his benefits at risk of future reduction in the CETV; and

- compensate he and his family fairly for the emotional stress, inconvenience and anxiety caused to them.

Summary of the Trustees' position

38. The Trustees reiterated some of the comments they made in the IDRP response to Mr E and also added some additional comments. A summary of the Trustees' additional comments is detailed below, in paragraphs 39 to 52.

39. The calculation of a CETV is not straightforward and is difficult to explain in layman's terms. Regulation 7 of the Occupational Pension Schemes (Transfer Values) Regulations 1996 (**the Transfer Regulations**) details how a CETV must be calculated and verified, with the Trustees having to make assumptions about several factors that are constantly changing. This meant CETVs prepared almost a year apart would be different amounts.

40. The Trustees have tried to explain throughout their verbal and oral correspondence with Mr E, from 22 May 2022 until 22 September 2022, that his request to see the calculations of the two CETV illustrations was impossible to satisfy. The Actuary tried to provide a simplified explanation to Mr E in the Trustees' response dated 24 June 2022.

41. In the Trustees' response dated 22 September 2022, the Actuary provided further commentary in the appendix to that document to explain the reasons for the difference of £36,000 in the two CETV illustrations. The Trustees had reviewed the additional commentary and believed it provided a helpful explanation, in layman's terms, as requested by Mr E as to the reason for the difference in the two CETV illustrations. They were disappointed that Mr E did not view this as sufficient.

42. The Trustees sought further advice from the Actuary to address Mr E's concerns regarding the calculations of the two CETV illustrations. The Actuary confirmed that the tool used to generate a CETV illustration took in the member data and then through computer code, ran a very large number of calculations to project the expected future benefit payments to the member in each future year, with separate projected payment streams for each type of pension.[3] To ensure that the member's CETV reflected the Trustees' obligation to equalise benefits for the unequal effect of GMP (using their chosen 'C2' method), the same process was followed for a comparator member of the opposite gender, in each case allowing for the probability of death, and a possibility of a survivor's benefit.

43. The tool then discounted all those projected payments back to a single present value of the member's benefits, using the Trustees' chosen actuarial assumptions (which reflect actuarial advice and are periodically reviewed in line with the Trustees' legal obligations) and reflecting current financial conditions. Critically, the tool did not store these calculation steps in a sharable format, and even if it did, this would not have been in a form that would be in "layman's terms" as requested by Mr E.

44. There were a number of important factors that impacted the calculation of Mr E's CETV illustrations and would have led to the difference between them, including:-

- Actual inflation experience over the period between his two illustrations would impact the projected revaluation of his deferred benefits, to the extent that that

[3] The Trustees explained that different types of pensions refer to tranches of benefit with different terms, such as guaranteed minimum pension (**GMP**), benefits earned prior to April 1997 in excess of GMP, benefits earned between April 1997 and 2005 when terms in the Plan changed.

experience differed from the allowance in his first illustration for the expected inflation over that period.

- Changes in future inflation expectations, which impacted the expected future increases to benefits during the remaining period of deferment, and in payment.
- A dynamic assessment of expected investment returns to reflect changes in interest rate assumptions, which impacted the present value calculation of the expected future benefit payments.
- Unwinding of the discounting within the present value calculation, to reflect that Mr E was now older and so closer to receiving his benefits.

45. While Mr E's stated perception is that "pension funds have been performing well", this is a generalised view and not specific to the Plan. The Trustees took careful account of their legal and fiduciary obligation to invest the Plan's assets appropriately, in line with the increasing maturity of the liabilities and mindful of the strength of the employer covenant.

46. While they understood that Mr E was unhappy with the responses given, the Trustees did not consider that there was any further information that they could provide to Mr E to meet his request to see the calculations of the two CETV illustrations and address this aspect of his complaint. The Trustees were confident that both CETV illustrations were calculated correctly, in line with his benefits in the Plan, their CETV basis and statutory requirements.

47. The Trustees did not consider that the time taken to deal with Mr E's request for the CETV illustrations in June 2021 or May 2022, or his subsequent requests for information about the calculations, was unreasonable.

48. The Actuary on behalf of the Trustees calculated the second CETV on 17 May 2022 and the Administrator sent the illustration to Mr E the following day. This was well within the deadline of 10 working days of the calculation date. In addition, the Administrator dealt with Mr E's questions promptly and the Trustees also responded to Mr E's IDRP complaint in line with their IDRP policy of two months.

49. The Trustees did not consider that the time taken to provide the second CETV illustration, or to subsequently honour Mr E's request for details of the calculation, impeded his actions or delayed his decision to transfer his benefits out of the Plan.

50. The Trustees considered that Mr E had not demonstrated that he had suffered any financial loss because of the difference between the two CETV illustrations.

51. In addition, the Trustees considered that as Mr E remained entitled to his deferred pension benefits from the Plan once he reached the NRA, he did not suffer any financial loss. Mr E was still able to request another CETV illustration and, if he wished, could transfer his pension benefits out of the Plan as long as the transfer met the statutory conditions.

52. While the Trustees regretted that Mr E was not satisfied with their response to his complaint and that he considers there had been resulting emotional distress caused to him and his family, the Trustees did not consider that this met the criteria for a non-financial injustice award.

Adjudicator's Opinion

53. Mr E's complaint was considered by one of our Adjudicators who concluded that no further action was required by the Trustees. The Adjudicator's findings are summarised below:-

54. Regulation 11, Disclosure[4] , and Schedule 1[5] of the Transfer Regulations prescribes the information that has to be provided to a member in respect of a CETV. This does not include a detailed breakdown of how the CETV has been calculated, inclusive of figures.

55. The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 contain other disclosure requirements but, again, these do not include a detailed breakdown of how the CETV has been calculated.

56. The Adjudicator appreciated that Mr E would have liked the Trustees, the Actuaries or the Administrators to provide him with a detailed breakdown of values of his two CETVs, so that he could understand why the 2022 CETV of his benefits was less than the 2021 CETV of his benefits. However, it was the Adjudicator's view that there had been no maladministration by either the Trustees, the Actuary or the Administrator as there was no legal requirement to provide Mr E with this information.

57. Furthermore, having read the Actuary's commentary that was attached to the Trustees' IDRP decision, it was the Adjudicator's view that the Actuary had explained why there was a difference between the 2021 and 2022 CETVs. Notwithstanding that it was not in the format that Mr E would have liked.

58. The 2021 CETV was guaranteed for three months. Subsequent, to the guarantee period, there was a risk that the CETV of Mr E's benefits could have increased or decreased. So, it was always likely that a new CETV that was calculated almost a year after would have had a different value. The 2022 CETV being less than the 2021 CETV did not mean that the 2022 CETV was incorrect.

59. In relation to the time taken to provide Mr E with the 2022 CETV, it was the Adjudicator's view that the time taken by the Administrator in this regard was not unreasonable. Mr E requested the 2022 CETV on 25 April 2022 and the Administrator

[4] https://www.legislation.gov.uk/uksi/1996/1847/regulation/11

[5] https://www.legislation.gov.uk/uksi/1996/1847/schedule/1#commentary-key-45c4030c235c74f4c82c950f311cab89

sent him this CETV on 18 May 2022. This was within the timescales prescribed in the Transfer Regulations.

60. Mr E initially raised a complaint with the Administrator by telephone concerning the value of the 2022 CETV on 15 June 2022. The Administrator replied to Mr E on 24 June 2022, with an explanation from the Actuary for the lower value of the 2022 CETV. Mr E raised a complaint under the Plan's IDRP on 23 July 2022 and the Trustees sent Mr E their response to his IDRP complaint on 22 September 2022. In the Adjudicator's view, there was no unreasonable delay in the way Mr E's complaints were dealt with by the Plan.

61. The Adjudicator noted that the guaranteed period for the 2022 CETV expired on 17 August 2022, and at that time, Mr E was awaiting response from the Trustees for his IDRP complaint. However, the Trustees not providing their IDRP decision prior to the expiry of the guaranteed period of the 2022 CETV did not prevent Mr E from accepting that CETV if he wanted to. He could have then continued with his complaint subsequently.

62. The Adjudicator appreciated that this situation had caused Mr E and his family distress and inconvenience. However, it was the Adjudicator's view that this situation was not caused because of any maladministration by the Trustees, the Actuary or the Administrator. So, the Trustees did not have to make an award to Mr E for any non-financial injustice he had suffered.

63. The Trustees accepted the Adjudicator's Opinion.

64. Mr E did not accept the Adjudicator's Opinion. In response to the Opinion he said in summary:-

- The Trustees behaved irresponsibly by not responding to his requests in a timely manner, within the time they should have replied by. This meant that the CETV of his benefits diminished, and he was forced to leave his benefits in the Plan.

- This situation caused major stress to him and his family. The Adjudicator's point that he could have submitted his transfer forms to the Plan was flawed because it was not right that he should submit a form when the transfer value was yet to be clarified / confirmed.

- The Adjudicator also failed to acknowledge the impact on his family and his health, and the disruption caused to their lives.

- For the Adjudicator to say that the Trustees can be let off without being penalised for their irresponsible behaviour and without paying compensation was not right. The Adjudicator had failed to come to the right opinion by failing to correctly consider the evidence he had provided.

65. As Mr E did not accept the Adjudicator's Opinion, the complaint was passed to me to consider. Mr E's further comments do not change the outcome. I agree with the Adjudicator's Opinion and note the additional comments made by Mr E.

Ombudsman's decision

66. Mr E has complained that the Trustees did not provide him with information he requested in a timely manner and in the format that he asked for. He asserts that he suffered a financial loss and non-financial injustice as a result.

67. CETVs change depending on different factors and trustees of pension schemes need to review the CETV factors on a periodic basis, following advice from their respective scheme's actuary. This means that transfer values can increase as well as decrease. So, once a guaranteed period has expired, trustees are not under an obligation to ensure that future CETVs are of the same value or more.

68. The Transfer Regulations prescribe what information trustees are required to provide when a member requests a CETV illustration. This does not include detailed calculations of how the CETV was calculated.

69. I have considered the information that the Administrators, the Actuary and the Trustees provided to Mr E following his request for details of how the 2021 and 2022 CETVs were calculated. I consider that despite the information not being in the format that Mr E requested, the Administrator, the Actuary and the Trustees gave detailed explanations of how the CETVs were calculated.

70. Mr E not accepting the Administrator's, the Actuary's and the Trustees' explanations does not mean that there was maladministration by the Trustees in this regard.

71. Furthermore, I do not consider there were any unnecessary delays between Mr E requesting information concerning the calculation of his two CETVs and the Administrator and Trustees responding. It is unfortunate that the 2022 CETV guarantee period expired while Mr E was awaiting a response to his IDRP complaint from the Trustees. However, it was open to Mr E to have accepted the 2022 CETV, if he so wished, while awaiting the Trustees' response to his complaint. If it had been subsequently discovered that there was an error in the 2022 CETV, and that that CETV should have been higher, the Trustees would have been obligated to pay Mr E the difference.

72. I note Mr E's comments that this situation has caused him and his family distress. However, I do not consider that the distress and inconvenience Mr E and his family suffered was because of any maladministration by the Trustees. So, an award for non-financial injustice is not warranted.

73. I do not uphold Mr E’s complaint.

Dominic Harris

Pensions Ombudsman
23 June 2025