

## Ombudsman's Determination

Applicant	Mr R
Scheme	NCR Pension Plan – Pension Insurance Corporation buy-out policy ( <b>the Scheme</b> )
Respondents	Pension Insurance Corporation ( <b>PIC</b> )

## Outcome

1. I do not uphold Mr R's complaint and no further action is required by the Respondent.
2. My reasons for reaching this decision are explained in more detail below.

## Complaint summary

3. Mr R's complaint is about the reduction in his pension benefits following the buy-out of the Scheme.

## Background information, including submissions from the parties

4. In 1981, Mr R became a member of the Scheme.
5. In 1995, Mercers, NCR's former administrator, sent Mr R a benefit quotation projecting an annual pension of £2,729.16. It also stated: -

"Some of these details may be estimated so we cannot guarantee the figures shown on this quotation.

This pension figure is for information only. We have worked it out based on the Trust Deed and Rules and the laws in force at the date of this letter."
6. In May 2015, Mr R says NCR wrote to him, and explained that the Scheme would be wound up and the benefits would be secured via an insurance policy with a pension provider called Pension Insurance Corporation (**PIC**).
7. PIC wrote to Mr R stating that at his selected retirement age of 65 his annual basic pension benefits would be worth £1,866.84, and with an uplift of £209.76, his total annual benefits would be £2,076.60.

8. Mr R complained to PIC that this represented a reduction of about 30% in his pension benefits, compared to previous quotations. He also complained that he had been given incorrect information of the benefit revaluation rate.
9. In September 2015, PIC wrote to Mr R. It did not uphold his complaint. The key points were: -
  - Previous quotations incorrectly used 4%, not 3%, as the revaluation rate for his benefits under the Scheme. However, the 3% rate was also no longer valid.
  - Past administrators had incorrectly interpreted his Scheme benefits, and their calculations were inconsistent with the Scheme rules. However, this was not PIC's responsibility and it could not comment on this.

### **Adjudicator's Opinion**

10. Mr R's complaint was considered by one of our Adjudicators. He concluded that no further action was required by PIC. The key points were: -
  - Because the Scheme had been wound up in 2015, it ceased to exist from that date and his accrued Scheme benefits were secured by the purchase of an annuity with PIC.
  - Mr R's benefits comprised of a basic pension of £1,866.84, and an uplift of £209.76.
  - The previous administrator had apparently mis-interpreted the Scheme rules in 2014, which meant a statement produced at that time may have been incorrect. However, PIC only had to pay Mr R an annuity based on the cash equivalent transfer value it received from the Scheme; it did not have to pay an annuity based on previous quotations, which were not guaranteed.
11. Mr R did not agree with the Adjudicator's opinion. He said the Scheme had not been in deficit; a letter from the Trustees referred to an uplift, paid for out of a surplus. He also said, having spoken with a number of deferred members, it was clear none had experienced a reduction in previously quoted benefits; he was the only one. Finally, having spoken with the previous administrator of the Scheme, contrary to what PIC had stated, it appeared that the 2014 statement was correct. Mr R also said he did not accept PIC's assertion that the previous administrator had made two mistakes, several years apart, and only in his case.
12. PIC accepted the Adjudicator's Opinion on the merits of Mr N's complaint. However, it also questioned our jurisdiction to consider the complaint, therefore there was a delay whilst various submissions were considered in detail.

## **Ombudsman's decision**

13. I have carefully considered the points PIC has made, with regard to our jurisdiction and I am satisfied that this Office is able to consider the merits of the complaint.
14. It is regrettable that, from Mr R's point of view, he has incurred a loss of expectation in this case. However, having reviewed all the submissions provided by him and PIC, I agree with the Adjudicator's conclusions. That is, once the Trustees wound up the Scheme, which they were entitled to do under the Scheme rules, Mr R's accrued benefits were secured by means of an individual annuity taken out with PIC.
15. Mr R's accrued benefits would have been calculated on a defined benefits basis. On the winding up of the Scheme the Trustees secured a pension for Mr R by purchasing an annuity with PIC; part of a bulk transfer.
16. Whilst Mr R's pension benefits from the PIC annuity may be lower than the benefits he was told he would receive from the Scheme, the quotations he had been given previously, were only estimates of the pension he was likely to be paid on retirement and were not guaranteed. .
17. Moreover, there is insufficient evidence that, as Mr N has asserted, he alone suffered a loss of benefits, or a perceived loss of benefits, following the wind-up. In any case, I can only consider the circumstances of Mr N's particular complaint; I cannot consider the experience of other members of the Scheme.
18. Finally, Mr R should be aware that, while he may have the option to make a complaint about the previous administrators, which may or may not have acted correctly, this complaint is made solely against PIC, therefore, I can only consider alleged acts or omissions by it. Since PIC has been responsible for Mr N's pension account, I do not find that there has been any maladministration on its part.
19. Therefore, I do not uphold Mr R's complaint.

**Anthony Arter**

Pensions Ombudsman  
23 June 2017