

Ombudsman's Determination

Applicant	Mr E
Scheme	Baker Hughes UK Pension Plan (the Plan)
Respondent	Baker Hughes UK Pension Trustees Ltd (Baker Hughes)

Outcome

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

Complaint summary

3. Mr E has complained that his benefits held under the Eastman Whipstock Pension Plan (**EWPP**) are not being revalued annually at 5% between leaving service and commencement of payment.

Background information, including submissions from the parties

4. Mr E began employment with Eastman Whipstock (U.K.) Ltd (**Eastman Whipstock UK**), on 18 January 1976, and became a member of the EWPP on 1 December 1977. He remained an active member of the EWPP until 30 November 1981, when he was transferred to Singapore. In the period of employment between 1976 and 1981 he accrued four years' pensionable service under the EWPP. When he transferred in 1981 his benefits became deferred.
5. On 25 February 1983, Eastman Whipstock UK changed its name to Eastman Whipstock (North Sea) Ltd (**Eastman Whipstock NS**). When Mr E returned to the UK he was informed that the EWPP had been wound up on 30 November 1982. This had been replaced with the Eastman Whipstock (North Sea) Pension Plan (**EWPP2**). Mr E became a member of EWPP2 on 1 December 1983. Mr E was advised that EWPP2 was a separate Plan with different scheme rules.
6. At some point after February 1983 Mr E received an undated letter from Eastman Whipstock NS which said:

“...This improvement will apply to all members leaving service on or after 1st March 1985 with at least 5 years pensionable service.

Better Deferred Pensions: Hitherto under the Plan, a Member who left service before Normal Retirement Date after completing 5 years' pensionable service was entitled to a deferred pension at Normal Retirement Date which was calculated according to his earnings when he left. This meant that its purchasing power declined.

Under the new arrangements, the whole deferred pension will be revalued annually at 5 per cent compound between leaving service and commencement of payment.

Investment

...Pending a review of the Plan premiums to this contract were suspended with effect from 30th November 1982..."

7. Mr E remained a member of the EWPP2 until he was made redundant in 1987. On 24 July 1987, Mr E transferred the pensionable service he had accrued in EWPP2 to Friends Life. Mr E did not transfer the pensionable service he had accrued under the EWPP.
8. In 2013, Mr E contacted Baker Hughes (who took over Eastman Whipstock NS in or around 1992) and asked about taking his pension benefits held under the EWPP. He raised a complaint in 2014, because Baker Hughes said that as he had not accrued five years' pensionable service under the EWPP, those benefits could not be revalued at 5%.
9. Baker Hughes said that the pensionable service built up under EWPP2 cannot be added to the pensionable service accrued under the EWPP to make a total of over five years' pensionable service. And, even if the two periods of service could be added together, Mr E had transferred his deferred benefits under the EWPP2 to Friends Life on 24 July 1987.

Adjudicator's Opinion

10. Mr E's complaint was considered by one of our Adjudicators who concluded that no further action was required by Baker Hughes. The Adjudicator's findings are summarised briefly below:
 - Mr E was not entitled to the 5% revaluation because he did not meet the criteria of having five years' pensionable service in the EWPP.
 - The pensionable service built up in the EWPP and the EWPP2 were separate, and only pensionable service accrued under EWPP could be considered in relation to the application of revaluation at 5%.
 - The 1983 letter was clear that it only referred to service under EWPP and not EWPP2. If it was unclear Mr E could have spoken to Eastman Whipstock and asked whether the 5% revaluation applied to him.

- Mr E transferred his benefits under EWPP2 to Friends Life leaving just the pensionable service under the EWPP. So, he cannot reasonably have thought he had five years' pensionable service.
11. Mr E did not accept the Adjudicator's Opinion and the complaint was passed to me to consider. Mr E provided his further comments which do not change the outcome. I agree with the Adjudicator's Opinion, summarised above, and I will therefore only respond to the key points made by Mr E for completeness.
 12. Baker Hughes did not provide any comments on the opinion and therefore I consider this means they accepted the Adjudicator's Opinion.

Ombudsman's decision

13. Mr E believes his benefits under the EWPP should be revalued at 5% per annum because he had accrued more than five years' pensionable service, if his service under the EWPP and EWPP2 are linked together. The EWPP and EWPP2 were two separate plans and so the pensionable service cannot be linked as Mr E suggests.
14. Mr E needed to satisfy two requirements in order to have his EWPP benefits revalued at 5%. The first element was that he needed to have left employment on or after 1 March 1985. Mr E was made redundant in 1987 and so met the first criteria. The second element was that he needed to have accrued five years' pensionable service under the EWPP. Mr E only accrued four years' pensionable service under the EWPP and so he did not meet the criteria based on his service as a member of the EWPP.
15. Mr E argues that the 1983 letter led him to believe that he would receive the benefit of 5% revaluation. Although the letter is not entirely clear which plan it is referring to, even if Mr E believed that his two periods of service together would entitle him to 5% revaluation when he received the letter, in my opinion, it was not reasonable to have continued to hold that view once he had transferred his benefits under the EWPP2 to Friends Life on 24 July 1987.
16. In considering the facts of this case it is my view that the complaint cannot be upheld against Baker Hughes. This is because Mr E does not meet the criteria to have his deferred benefits under the EWPP revalued at 5%.
17. I do not uphold Mr E's complaint.

Anthony Arter

Pensions Ombudsman
13 September 2016