

Ombudsman's Determination

Applicant	Mr N
Scheme	CSC Computer Sciences Ltd Pension Scheme (the Scheme)
Respondents	CSC Computer Sciences Limited (CSC), Trustees of the CSC Computer Sciences Ltd Pension Scheme (the Trustees)

Outcome

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

Complaint summary

3. Mr N says that he was not given clear information that if he elected to opt out of the final salary section of the Scheme with a deferred pension, he would not be entitled to the enhanced benefits on early retirement by redundancy.

Background information, including submissions from the parties

4. As a section C Royal Mail member of the final salary section of the Scheme, Mr N was entitled to enhanced benefits on early retirement due to redundancy.
5. Following a consultation process at the beginning of 2006, CSC made changes to the Scheme which took effect from July 2006 for the majority of members. The implementation was delayed until April 2007 for former members of the Royal Mail Pension Plan, including Mr N, to give them further opportunity to consider their options.
6. The Scheme members had two options for their future service benefits. They could either remain in the final salary section of the Scheme at a lower accrual rate of 1/80, or select the money purchase option.
7. For those members who selected the money purchase option, they had to make an additional decision in relation to past service benefits. Their choices included

retaining the link to pensionable salary in respect of past benefits or opting out for past service with a deferred pension. Mr N chose the latter option.

8. Mr N later complained to CSC and the Trustees that he was not given clear information about the implications of the choices in relation to the enhanced redundancy terms.
9. CSC and the Trustees did not uphold his complaint. In summary, they concluded that sufficient information was provided during both the initial consultation and the further communication process with Royal Mail members. They referred to the following information which they believed was sufficient in explaining the impact of opting out on the enhanced redundancy terms.

- a) In June 2006, at the end of the consultation process, the members were sent a document about their choices. If the member decided to opt out with a deferred pension, the document said:

“You will not be entitled to any enhanced redundancy terms (ie the waiving of the early retirement factor and the additional pensionable service for Public Sector members would not apply).”

- b) Mr N and the other Royal Mail members were given additional information on 2 January 2007. This enclosed a December 2006 leaflet setting out the options for future service and past service benefits, which were the same as the choices detailed in the June 2006 document. On page 11 of the December 2006 leaflet, there is a section about enhanced redundancy terms which said:

“There is no change in these terms for past service provided you do not opt out of the pension scheme and become a deferred member or take flexible retirement.”

- c) A complete set of Questions & Answers (**Q&A**) from the consultation process was available to Mr N through the CSC Portal. The following Q&A was about the enhanced redundancy terms:

“If in deferment what happens if I am made redundant? There is no enhancement to deferred pensions under the final salary section if you are made redundant after opting out of the Scheme.”

- d) The members were given the opportunity to attend pension roadshows to ensure that they fully understood their options. The presentation slides used at the roadshows and the speaker's notes were available on the CSC Portal for Mr N to download. The following notes were about the enhanced redundancy terms:

“If you select Option 2 (Money Purchase) then you should be aware that no special early retirement terms will be applied to your money purchase account on redundancy, although the waiving of the early retirement reduction will still be applied to your past service final salary benefit.

However if for past service you decide to defer your pension (opt out) or take flexible retirement your past service pension would not be augmented either.”

10. Mr N did not agree with CSC and the Trustees. Therefore, he referred his complaint to this Service for an independent review.

Adjudicator’s Opinion

11. Mr N’s complaint was considered by one of our Adjudicators. He did not uphold the complaint and his findings are summarised below:
 - Mr N was given sufficiently clear information about the changes to the Scheme. And he should reasonably have been aware that he would not be entitled to the enhanced redundancy terms if he decided to opt out with a deferred pension.
 - Even if Mr N did not receive the June 2006 document, on balance, it is more likely than not he could have accessed the document on the CSC Portal, where all the other relevant information about the changes were being held.
 - Irrespective of whether Mr N received the June 2006 document, he did receive the additional information that was sent to Royal Mail members in 2007.
 - Although the specific implications of opting out could have been explained in more detail in the December 2006 leaflet, it was clear in alerting the member that opting out of the Scheme, or taking flexible retirement, would impact the enhanced redundancy terms. Therefore, if a member was considering opting out, or taking flexible retirement, it is reasonable to expect the member to seek further details or at the very least, review the other sources of information that was available before making a decision.
 - It is reasonable to expect Mr N to give some attention to the Q&As and the pension roadshows, particularly on aspects that were of importance to him which he had been alerted to in the December 2006 leaflet. The document also mentioned the opportunity to take independent financial advice where it is needed.
12. CSC and the Trustees accepted the Adjudicator’s Opinion and did not make any further comments.
13. Mr N did not agree with the Adjudicator’s findings and the complaint was passed to me to consider. Mr N 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 N for completeness.

Ombudsman's decision

14. Mr N says that he does not understand why he lost his entitlement to enhanced redundancy terms. He has referred to CSC's statements within the December 2006 document which say that under option 2 (joining the money purchase section), past service benefits remain unchanged. Those statements are not wrong. It is important to note that those who selected the money purchase option did not automatically lose the link to pensionable salary in terms of the *past service* that had already been accrued. The members had to make a further decision about how their past service benefits would be treated.
15. It was possible for members to select the money purchase option for their future service, whilst at the same time retaining the link to pensionable salary and the associated benefits (such as the enhanced redundancy terms) for their past service. Under this option, the past service benefits are not treated as a deferred pension because they continue to increase in line with the member's salary until retirement. Therefore, it is not the case that everyone, who selected the money purchase option, had a deferred pension.
16. That said, it was also possible for members to take the money purchase option for their future service and opt out for past service with a deferred pension. This is the option that Mr N selected. Under this option, Mr N is treated as a deferred member as far as his past service benefits are concerned, which continue to increase in line with inflation.
17. As detailed in the Adjudicator's Opinion above, I am satisfied that Mr N was given sufficiently clear information about the changes to the Scheme and the implications of opting out with a deferred pension. Therefore, I consider that Mr N should reasonably have been aware that he would not be entitled to the enhanced redundancy terms if he decided to opt out with a deferred pension.
18. The members were given access to an independent financial adviser. If Mr N did not understand the information provided, he could have taken advice on the most suitable option for him. He chose not to do this at the time.
19. Therefore, I do not uphold Mr N's complaint.

Anthony Arter

Pensions Ombudsman
22 July 2016