DRN-4143121

The complaint

Mr S isn't happy that he's being paid the correct pension by Pension Insurance Corporation plc (PIC). Mr S also says he's been disadvantaged as PIC removed money from that part of his pension that increases annually.

What happened

I issued a provisional decision on 11 April 2023. I've recapped here what I said about what had happened and my provisional findings.

'*Mr S has an annuity with PIC which has been in payment since August 2016. Mr S's annuity arises from his membership of an employer's pension scheme. Mr S had also transferred in benefits he'd accrued in another employer's scheme. Both the transferred in and the non transferred in elements included GMP (Guaranteed Minimum Pension).*

Mr S left pensionable service on 26 September 1986. The employer's scheme was later wound up. In 2013 the benefits were bought out by way of a bulk annuity purchase with PIC. In early 2014 PIC issued deferred annuity contracts with individual members, including Mr S. Going forward, PIC became responsible for the payment of former members' benefits.

PIC sent retirement quotations to Mr S in July 2014 and June 2016 setting out the annuity he could expect to receive when he reached age 65 and how it was made up. A further quotation was issued in August 2016.

Mr S turned 65 towards the end of August 2016 and his benefits were put into payment. The annuity didn't match the quotation that he'd had. Mr S wasn't sure he was being paid the correct amount and raised that with PIC. In December 2016 PIC upheld Mr S's complaint and paid him £100 for distress and inconvenience. PIC also provided a comparison of the June 2014 and August 2016 quotations.

And, in January 2017, PIC recalculated Mr S's annuity. It increased overall, from £7,653.45 to £7,750.11, although the GMP in respect of the transferred in pension remained more or less the same as what had been paid in August 2016 - some £2,537. But the excess pension had increased (from £2,791.04 to £2,887.68) which resulted in an overall increase of £96.64. PIC paid arrears to Mr S.

Mr S remained unhappy which led to a further complaint. PIC sent Mr S its formal response on 30 August 2017. Mr S then asked The Pensions Ombudsman (TPO) to look into things. PIC provided information to TPO but PIC didn't agree that TPO had jurisdiction to consider the complaint.

On 21 December 2020 PIC offered Mr S £150 compensation for inconvenience caused by delays in resolving his complaint with TPO.

There were further exchanges but in the end TPO agreed it couldn't consider the complaint. TPO told Mr S in July 2021 that the complaint should be referred to us.

On his complaint form Mr S said his complaint was about the transferred in portion of his pension. When his annuity went into payment in August 2016 the GMP element was about 8% less than previous quotes. No explanation for the reduction was given. PIC said the June 2016 quotation had been wrong as the GMP had been revalued by one year too many. But previous quotes had all used the same amount of years. Mr S said his previous employer had told him the transferred in value would provide a guaranteed pension of £5,565.81 pa as it revalued at a fixed rate for a fixed period of time.

When PIC rebalanced the annuity so that the GMP aligned with the HRMC value, that had disadvantaged Mr S in two ways: first the GMP was still below what he'd understood was guaranteed to be paid; secondly money had been removed from that part of his annuity which increases each year to the part that didn't increase. And it was unclear whether the GMP rebalancing should apply to just the transferred in value or to the total GMP.

Mr S also referred to a letter from PIC dated 29 November 2018 in which PIC admitted to revaluing the GMP by one year too few in August 2016. Mr S said that error hadn't been corrected and each quote from August 2016 onwards repeated the same error. The upshot was that his pension has decreased due to the incorrect calculation in August 2016. And is progressively reduced each year from what it should've been.

To put things right Mr S says the August 2016 quotation should be calculated for the correct number of years; the GMP rebalancing should be done in a fair manner; and his pension value for each year in payment calculated so that the amount of money lost can be ascertained.

One of our investigators looked into what had happened. She wrote to Mr S and PIC on 30 June 2022 setting out what had led up to the complaint and why she didn't think PIC needed to take any further action. She said PIC had made mistakes but had taken steps to but things right.

In response Mr S said the issue he'd raised – the wrong calculation and PIC's refusal to correct it – hadn't been investigated. The investigator asked PIC for some more information before writing to Mr S and PIC again on 12 August 2022. She said PIC should pay Mr S £200 for loss of expectation.

Mr S still didn't think his complaint had been investigated properly. And he said the investigator had got things wrong. Mr S had referred to the pension being revalued by one year too few whereas the investigator had said the August 2016 quotation correctly revalued the pension using 29 not 30 years and PIC had admitted revaluing by one year too few. Mr S reiterated that PIC had admitted revaluing incorrectly and hadn't corrected that mistake. He added that, although it seemed we'd received a large amount of information from PIC, it wasn't clear if it included their letter dated 29 November 2018, a copy of which Mr S attached.

PIC also responded. PIC said it had offered amounts of £100 and £150 but as Mr S didn't accept they were never paid. It appeared the investigator was suggesting PIC paid £350 which PIC confirmed it was willing to pay.

What I've provisionally decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've seen that Mr S was unhappy with how his complaint was handled by the investigator. As has been explained, we have a two stage process. As Mr S didn't accept the investigator's *view the complaint has been referred to me to decide. I've looked at everything afresh before coming to my conclusions. I'm also issuing a provisional decision so Mr S (and PIC) has an opportunity to see what I think before any final decision is issued.*

I can understand Mr S's position. I don't think there's any dispute that he's been given differing figures for his annuity. And, when his pension was put into payment, the amount was different to what he'd been expecting and no explanation was given. His pension was also later adjusted. So I see why it's difficult for him to be confident that PIC is now paying him the correct amounts.

And, because only some of his annuity increases in payment, he needs to be sure that the various elements of his pension are correct so that not only has he been paid the right amount when he retired (including the correct revaluations for his GMP and the excess pension) but also that, going forwards, he doesn't miss out on any increases in payment.

When Mr S's complaint was with TPO the investigator there set out the various figures which had been provided, which weren't entirely consistent, and the reasons for the discrepancies. I don't think there's much to be gained by going over the same ground again.

Instead I've concentrated on whether what Mr S is being paid now looks to be the right amount although I have referred to some of the quotations in that context. I'd perhaps just add that we don't offer a checking service. So I've stopped short of doing that. Instead I've focused on whether, looking at the information that's available, Mr S's annuity appears to have been correctly calculated. And, in reaching my conclusions, although I've read and considered everything, I've concentrated on what I see as key. There's been a large number of exchanges over several years. I haven't referred to everything that's been said, just what I see as central.

PIC has confirmed that Mr S's annuity in payment is £8,416.67 pa of which £4,243.80 is non increasing GMP. Mr S's annuity with PIC has four components: the value derived from his pensionable service between 1979 and 1986 in his employer's scheme (the non transferred in part); the value arising from the transferred in benefits; and the (separate) GMP elements of each.

My understanding is that Mr S's concerns centre on the GMP element of the transferred in value. The GMP relating to the other part has remained fairly constant throughout at around £1,706 (at age 65). But the GMP for the transferred in element was quoted as £2,374.32 in August 2016. It had previously been quoted as £2,575.87. PIC says the correct figure is £2,537.10.

None of Mr S's GMP (the £1,706 and the £2,537 which makes up the total GMP in payment of £4,243.74) increases in payment. GMP build up before 6 April 1988 (as in Mr S's case) doesn't have to have to increase in payment. But the GMP must be revalued in deferment. The GMP must be increased for each complete tax year in the period from leaving pensionable service to retirement (or death). There are different ways of revaluing the GMP, depending on what the scheme specifies.

Full revaluation is where the accrued GMP is revalued each year up to age 65 (for men) in line with the increase in national average earnings. Revaluation orders (section 148 orders) are published each April showing the percentage increases based on the increase in national average earnings for the year to the previous September. As an alternative, the GMP can be revalued at a fixed rate each year. What rate applies depends on the date of leaving the scheme. For leavers after 5 April 1978 but before 6 April 1988 (such as Mr S) the increase is 8.5% pa.

When Mr S's (and other members' benefits) were bought out with PIC, PIC issued annuity contracts to individual members, including Mr S. PIC's obligation is to pay benefits in accordance with the terms of that contract with Mr S. I've seen a copy of the schedule of benefits purchased by the trustee of the employer's scheme for Mr S.

It's not entirely straightforward. As I've said there are four components to Mr S's annuity which are subject to different provisions. For example, Mr S's normal retirement date (NRD) was the day before his 65th birthday. But there's also a target retirement date (TRD). That's different for the annuity attributable to Mr S's non transferred in pension (his 60th birthday) and the transferred in pension (age 65).

The amount of the annuity (as at Mr S's date of leaving) for the non transferred in pension was £367.55 pa which included GMP. An additional annuity amount of £906.31 is payable in respect of the transferred in benefits, inclusive of any transferred in GMP. The split between GMP and excess pension isn't given for either the £367.55 or the £906.31.

Section 9 deals with revaluation. So much of the £367.55 as is attributable to GMP is revalued on the fixed rate basis. The excess is revalued in accordance with RPI (Retail Prices Index) up to 5% pa. The dates on which the revaluation is applied aren't the same. That means the number of years for which each part is revalued won't necessarily be the same. For the £906.31 the GMP is revalued on the same basis – fixed rate – but the excess is revalued by 5% pa compound.

There are provisions for late retirement and how, in that event, the amount of the annuity is to be adjusted. Late retirement factors have been mentioned and some figures have been quoted. But I don't think Mr S is concerned about this aspect of things. The late retirement adjustment must be at least equal to the adjustment that would've applied had standard revaluation continued. I think PIC undertook a comparison and Mr S was better off on the basis of the standard revaluation so his non transferred in benefits (to which a TRD of 60 applied) have been calculated and paid accordingly.

Section 14 sets out what, if any, increases apply to the annuity once in payment. That part of the annuity of £367.55 that is attributable to the GMP accrued prior to 6 April 1988 (which here is all of the GMP) is fixed and from the date the member reaches GMP age won't increase in payment. The excess will increase from commencement of the annuity by the lower of RPI and 5%. It's the same for the transferred in portion.

PIC's obligation is to pay Mr S's benefits in accordance with the schedule agreed with the trustees of the employer's scheme. PIC has to pay the sums of £367.55 and £906.31 revalued as required and, after the annuity has been put into payment, pay any increases that are due. The two component annuities (the £367.55 and the £906.31) are in effect fixed at the date of leaving (26 September 1986). Out of the total annuity amount some is GMP. Anything else is excess pension. So it's a case of ascertaining the GMP and the excess pension for each element and revaluing as provided for in the contract (which takes into account the statutory requirements).

As to what's happened with the GMP for the transferred in value, when Mr S's 65th birthday was approaching, PIC checked the GMP with HMRC. HMRC's records included a notice sent by the employer's scheme which set out that section 148 revaluation, switching to fixed rate when Mr S left pensionable service, applied to the transferred in element. So, for the period after the transfer in had been received (December 1984) until Mr S's pensionable service ceased (September 1986), the GMP element was subject to section 148 revaluation and thereafter (once Mr S's pensionable service ended) to fixed rate revaluation. That meant that when Mr S reached age 65 the GMP had increased to £2,537.09 and the excess pension to £2,791.04.

Initially PIC amended the amount at retirement to match HMRC's figure. PIC did that by topping up the GMP and reducing the excess pension. But later, in January 2017, PIC revisited that. PIC rebalanced Mr S's annuity based on the GMP as at the date Mr S left service and revalued the GMP and the excess pension going forwards. The GMP remained the same but the excess pension increased as Mr S benefitted from higher revaluation during deferment on that part, resulting in a higher overall pension.

To explain in a bit more detail, Mr S's transfer value was received (by the employer's scheme) on 27 December 1984. The GMP element was £205.40. Mr S left pensionable service on 26 September 1968. The GMP was revalued – for one complete tax year using fixed rate revaluation of 8.5% pa – which made it £222.86. It was then further revalued using the same method for 30 years to give a GMP at age 65 of £2,575.87. But when it then transpired a section 148 revaluation should've applied for the first year which meant the GMP as at Mr S's date of leaving was £238.16. Revaluing that for a further 29 years gave a GMP at age 65 of £2,537.08.

As I've said, the total (non increasing) GMP Mr S is being paid is £4,243.74 (£2,537.10 plus £1,706.66). That's consistent with the figure shown on HMRC's GMP calculation which gives a total GMP of £81.60 pw which is £4,243.20 pa. That's Mr S's total GMP which has to be apportioned between the non transferred in and the transferred in parts. On the basis the GMP for the latter part was £205.40, it appears to have been revalued correctly to give a GMP of £2,537.08 at age 65.

The GMP revaluation is based on complete tax years. Between September 1986 (when Mr S's pensionable service ended) and August 2016 there are 29 complete tax years so that's the correct revaluation period for the GMP element (and leaving aside the section 148 revaluation which was applied from the date the transfer value until Mr S's pensionable service ended). I think, despite the very considerable confusion that's arisen around this issue, 29 years is correct.

I know Mr S remains unconvinced that the GMP has been revalued by the correct number of years. Mr S has referred to PIC's letter dated 29 November 2018 in which PIC admitted to revaluing the GMP by one year too few in August 2016. I think PIC accepts that the August 2016 quotation revalued the GMP by one year too few. But PIC points to its letter dated 10 March 2017 as having corrected the position. I think that letter does set out what's happened.

It referred to the August 2016 quotation which included a revalued GMP for Mr S's transferred in GMP of £2,374.32 and a revalued excess pension of £2,953.80. The total GMP (for both the transferred in and non transferred in parts) was £4,080.98. When HMRC had then confirmed the GMP it held was higher - £4,243.20 (the transferred in GMP having been calculated differently – that is not all on the basis of fixed rate revaluation at 8.5% pa – Mr S's annuity when he retired was rebalanced. The overall pension remained the same as previously quoted. But the make up altered. The transferred in GMP amount increased to £2,537.08 (which was £162.76 more) and the transferred in excess was reduced by the same amount (£2,953.80 down to £2,791.04).

PIC later felt that was unfair so it recalculated the annuity again by using the correct GMP figure for the transferred in GMP as at the date Mr S's pensionable service ended. That increased the GMP from £222.86 to £238.14 (£15.28 less) and reduced the excess pension by the same amount (£683.45 to £668.15). The revalued GMP as at the date of retirement remained the same but the excess pension increased from £7,653.45 to £7,750.11 which was an increase of £96.67. And going forwards the excess pension will benefit from increases in payment whereas the GMP doesn't increase. So I think PIC has acted fairly and *in Mr S's interests by rebalancing the annuity.*

All in all, although the position is complicated and at times confused, from what I've seen I think PIC has correctly calculated and paid Mr S's annuity.

I note that Mr S says he was expecting to receive, in respect of the transferred in part, a pension of £5,565.81 pa. I've seen that figure is quoted in a letter dated 24 March 1988 to Mr S from the trustees of his employer's scheme. I don't think I've seen a complete copy of the letter or the enclosures, just the first page of the letter. It seems that the trustees had rethought what benefits Mr S's transfer value had bought. A figure of £848.41 pa is mentioned which, with increases of 8.5% on the GMP and 5% pa on the excess pension, would mean a pension at age 65 of £5,565.81.

I agree that where fixed rate revaluation applies it should give certainty – a fixed rate of increase over a fixed period of time. The GMP liability is predictable rather than being dependent on movements in national average earnings. And here the excess pension was also revalued at a fixed rate – 5% pa. So what the pension will be at retirement (age 65) can be worked out.

But Mr S didn't get £5,565.81. Instead, and taking into account the corrections made in January 2017, Mr S's pension in respect of his transferred in value at age 65 was £5,424.78, so £141.03 pa less than he'd been expecting. That will have added to his concerns about whether he's being paid the correct amount now.

I'd have liked to have been able to explain why the trustees quoted a figure of £5,565.81 in 1988 as what Mr S would get at age 65. But the GMP element of the £678.56 isn't specified. So it's unclear exactly how revaluation was applied. It's also difficult to reconcile the figures with the annuity amounts set out in the schedule and which show Mr S's benefits as at the date of leaving in 1986.

But, in any event and as I've explained, PIC's liability is to pay the benefits as per the schedule. If PIC has done that – and from what I've seen PIC has – then that's really the end of the matter as far as PIC is concerned. But, if Mr S is able to provide a complete copy of the letter and enclosures, I'll be happy to take another look.

I think PIC accepts Mr S was given conflicting information and that, at times, didn't get a prompt response to his queries. In its letter of 22 December 2016 PIC agreed there'd been a number of failings. PIC said it hadn't responded to some of Mr S's enquiries within its usual five working days service standard and in some instances Mr S's emails hadn't been answered. Further PIC hadn't answered Mr S's queries about his GMP and benefit calculations well enough.

I also note that, when Mr S's annuity was put into payment, what was paid was different from what had been quoted with no explanation given. I can see that would've caused Mr S confusion and concern. As well as inconvenience in having to seek an explanation.

PIC is prepared to pay £350 for the distress and inconvenience Mr S has suffered. I think that's fair and reasonable and I've made an award below.'

Responses to my provisional decision and our further investigations

PIC accepted my provisional decision. Mr S didn't. He made a number of points. We raised further enquiries with PIC which we shared with Mr S together with PIC's responses.

I reviewed the complaint in the light of the further information that had been provided. We wrote to Mr S on 30 October 2023 to share my thoughts. I've summarised what we said.

The central issue was whether the annuity PIC has been paying Mr S since he reached age 65 in 2016 has been correctly calculated. The complaint centres on the amount of the annuity payable in respect of the TVIN element. The schedule of benefits (see clause 8.2) says that's an additional annuity amount of £906.31 pa which is inclusive of transferred in GMP (if any). The GMP isn't set out. The split – between GMP and excess pension – is important because the two elements are revalued (increased) differently, both in deferment and payment, under the schedule of benefits.

Clause 9 deals with revaluation prior to retirement. 9.1.4 refers to the member's annuity attributable to the TVIN (as per clause 8.2). 9.1.4 (a) deals with revaluation of any transferred in GMP and says it's on the fixed rate basis. 9.1.4 (b) provides for the excess TVIN pension to be revalued by 5% pa compound.

Clause 14 is about increases to the annuity once in payment. 14.1.5 deals with that part of the member's annuity that is attributable to the TVIN pension (as per 8.2). 14.5.1 (a) says that part that's attributable to the transferred in GMP increases on the basis described at 14.1.1 and 14.1.2, depending on whether the GMP was accrued before or on or after 6 April 1988. Here all of Mr S's GMP was accrued before that date. So 14.1.1 applies – it says the part of the annuity that is attributable to GMP accrued prior to 6 April 1988 is fixed and from the date the member reaches GMP age (65) won't increase in payment. So the GMP in respect of the TVIN element doesn't increase in payment.

14.1.5 (b) applies to the excess TVIN pension and says it will increase in line with 14.1.3. That clause provides for the annuity to be increased from commencement of the annuity by, in broad terms, in line with RPI, subject to a maximum of 5%.

That means that the correct starting position is important too. And that seemed to be the nub of the matter. And in particular how the TVIN was revalued up to Mr S's DOL. PIC says that section 148 revaluation applied for that period.

In my provisional decision I'd said, when Mr S's 65th birthday was approaching, PIC checked the GMP with HMRC. HMRC's records included a notice sent by the employer's scheme which set out that section 148 revaluation, switching to fixed rate when Mr S left pensionable service, applied to the transferred in element. So, for the period after the transfer in had been received (December 1984) until Mr S's pensionable service ceased (September 1986), the GMP element was subject to section 148 revaluation and thereafter (once Mr S's pensionable service ended) to fixed rate revaluation. That meant, when Mr S reached age 65, the GMP had increased to £2,537.09 and the excess pension to £2,791.04.

Mr S had queried the notice referred to and we'd asked PIC about it. But PIC couldn't provide anything in writing about section 148 revaluation. PIC said it assumed it had received verbal confirmation but no note was put on the record. Initially Mr S's benefits were put into payment on the basis the GMP in respect of the TVIN was subject to fixed rate revaluation from the date he left that employer's scheme to DOL. That gave a figure of £222.86 pa. That was then revalued – at fixed rate – to the GMPD – Mr S's 65th birthday. When PIC later reviewed things, PIC concluded that section 148 revaluation should've applied for the initial period between the TVIN and DOL. The GMP in respect of the TVIN was recalculated at £238.16. And that's the basis on which Mr S's benefits are currently being paid.

I said, on the one hand, I had no real reason to doubt that PIC was correct to apply section 148 revaluation to the GMP element of the TVIN for the period in question (1984 to DOL). I didn't see PIC would've done that unless PIC had been given to understand that was what should happen. But I recognised the situation wasn't entirely satisfactory as, ideally, PIC should be able to produce some written evidence in support. And I could see why Mr S might be reluctant to accept the approach PIC had taken is correct. Particularly as, although it gives a higher amount at GMPD, the GMP in payment is fixed and doesn't increase but the balance of the TVIN pension – the excess pension – does and increases each year in line with RPI, subject to a maximum of 5% pa.

I explained that we'd done some calculations, although we're not actuaries and we don't have access to the sort of software which might assist. We knew Mr S's total GMP entitlement is £81.60 pw (£4,243.20 pa) as set out in the screenshot he'd seen. Working backwards from that we agreed the total GMP at DOL is right. As noted, PIC can't evidence the split between the scheme GMP and the TVIN GMP. But our manual calculations are consistent with PIC's figures and the GMP element for the TVIN, depending on whether fixed rate revaluation applies for the period in question (£222.86) or Section 148 (£238.16).

So we thought those figures were, in themselves, correct. But the issue was which one should apply. As that was somewhat unclear, I'd looked at how Mr S was affected in either case. His current pension income is based on the higher GMP value of £238.16. As the GMP increased at fixed rate before retirement it will have increased at a higher rate than the excess pension. Therefore, the higher GMP figure has produced a total TVIN pension at retirement higher than the figure Mr S was originally quoted (£222.86).

The position once Mr S's pension comes into payment is different. The GMP payable by PIC remains fixed in payment unlike the excess pension. In Mr S's case, the higher GMP figure represents a larger proportion of his overall pension than the originally quoted figure. That means a smaller proportion of his pension will increase in payment. But it will increase from a higher starting amount. So it's not immediately evident that using the higher amount will have caused Mr S any financial loss.

We hadn't been able to undertake an actuarial calculation for the reasons already explained. But, assuming the excess pension increases at 5% pa, it's likely to take almost 20 years (from age 65) before the lower GMP calculated pension exceeds the higher figure. We didn't know what might happen going forwards (that is how long Mr S would live and what the position with payment of any spouse's pension might be). But it appeared he'd likely be better off in that period with the pension based on the higher GMP figure, although the 'benefit' will reduce year on year. After then the increases on the lower GMP figure would've provided a higher amount. And that doesn't specifically allow for a widow's pension should one become payable. So there's a possibility Mr S could eventually end up worse off.

But in the interim he'll have been better off. If I told PIC to adjust the annuity payments, the effect would be to reduce Mr S's income payments going forward. PIC might want to take into account the higher payments Mr S had received from age 65 up to date and which might mean PIC would then withhold payments until they'd 'caught up' and then reduce Mr S's payments going forwards. All in all I didn't think Mr S had suffered financially based on the approach PIC had taken.

I went on to deal with another issue Mr S had raised in response to my provisional decision. That related to PIC's letter of 29 November 2018 which said that the first August 2016 quote was one revaluation year short (8.5% for 29 tax years) in error. Mr S had said PIC had admitted the error but hadn't dealt with it – PIC had said in the same letter that the second August 2016 quote had just reanalysed the transferred in benefit and separated it into the HMRC GMP and the balance as excess. So it was just a rebalancing exercise and the revaluation error wasn't rectified.

But, in my provisional decision, I'd dealt with the correct revaluation period from DOL to GMPD. I'd said I was satisfied it was 29 years and that remained my position. References to 30 years may have confused the issue, including what PIC said in the letter Mr S had pointed to. But, as errors had been made and conflicting information given, I saw little point in trying to reconcile everything and I'd instead focused on whether the benefits Mr S was now receiving were correct. From what I'd seen they were.

In summary, even if there was some question mark over the revaluation of the GMP element of the TVIN between 1984 and 1986, it was clear Mr S hadn't suffered any financial loss to date and was in fact better off. Based on the assumptions we'd made as to future interest rates (which may or may not be consistent with an approach an actuary would take in undertaking this sort of calculation) and the increases that will apply to the excess pension, that will remain the position, going forwards, for the next ten years or so. In the circumstances I wasn't inclined to tell PIC that Mr S's annuity payments should be adjusted. The only award I was minded to make was the £350 for distress and inconvenience which PIC had confirmed it was prepared to pay.

We told Mr S that the next stage was for me to issue my final decision and we asked for any further comments he wanted to make. Mr S did comment further. In summary:

- He didn't agree he'd gained by having a larger GMP value. A comparison of the table in PIC's letter of 29 November 2018 shows that both the GMP and excess pension values at the start of payment of the pension were reduced from the previous quotes.
- PIC now seemed to be saying that the reduction in pension is due to section 148 being applied for part of the revaluation. PIC's evidence for this has been discredited, so any quotes given by PIC using this revaluation should be ignored. That was one of a number of PIC's assertions which, when properly investigated, are found to be wrong.
- There was one issue that had repeatedly been overlooked – that in 1988 the trustees of the employer's scheme had offered an improved pension for the TVIN and, as the pension was revalued for a fixed period at a fixed rate, stipulated what the TVIN pension would be at retirement date.

We made some further enquiries of PIC. We sent PIC a copy of the letter sent to Mr S on 24 March 1988 as we were unsure if PIC had seen it previously. We explained that Mr S had said that in 1988 the employer's scheme offered an improved pension for the TVIN. As revaluation was at a fixed rate for a fixed period the letter stated what the TVIN pension would be when Mr S retired – £5,565.81 pa. So, and understandably, Mr S considered that should be the starting point for the TVIN pension when he reached age 65 in August 2016.

We asked PIC if it could shed any light on why the schedule of benefits said something different to the letter about the additional annuity arising from the TVIN. Clause 8.2 of the schedule refers to an additional annuity amount of £906.31 inclusive of TVIN GMP. Whereas the letter refers to a guaranteed pension of £848.41 pa which, revalued to age 65 using fixed rate revaluation, was £5,565.81 pa. We asked if these figures could be reconciled and, if not, if PIC had any explanation as to why the schedule of benefits wasn't consistent with the letter.

PIC replied but said it was unfortunately unable to reconcile the figures. Whilst the letter says the initial provision was £848.41 pa, it didn't detail the split between excess pension and GMP. It was unclear as to how revaluation was applied to reach the amount shown. PIC insured the level of benefit as set out by the trustees and that was the benefit that was currently in payment.

We told Mr S what PIC had said. We explained, as PIC's records didn't shed any light on the inconsistency, that there wasn't much else we could do. The employer's scheme was wound up in 2013 and benefits bought out with PIC who then became responsible for paying members' annuities. It was understandably frustrating if the schedule of benefits wasn't consistent with information issued by the trustees of the employer's scheme, before that scheme was wound up and the benefits bought out, as to what his pension, and in particular, the TVIN element, would be when he retired.

But PIC's obligation was to pay the benefits set out in the deferred annuity – the schedule of benefits. What happened before that, and which would centre on the negotiations between the employer's scheme trustees/administrators and PIC and any advisers involved, weren't issues we could look into. We'd have liked to have given Mr S an explanation as to any inconsistency, hence we did ask PIC to see if its records showed anything. But it seemed not. So, although we recognised the position was unsatisfactory, we couldn't take this issue any further forward.

Mr S commented further. His main points were:

- He queried if we'd contacted PIC about the improved pension announced by the employer's scheme in 1988. It had been PIC who'd sent him a copy of the letter dated 24 March 1988 and PIC had indicated it was part of his pension entitlement.
- The large volume of documentation provided by PIC, much of which wasn't relevant to his complaint, had obscured this issue. The calculations concerning the TVIN pension drew attention away from the overriding issue of the guaranteed pension.
- PIC had made a number of assertions which, when investigated, had been found to be wrong. If the calculations were still being investigated there were at least three outstanding issues: PIC had asserted they'd corrected the erroneous August 2016 calculation but that hadn't been done; PIC's assertion about section 148 revaluation had been discredited so it was unclear why calculations with this revaluation were still being considered; the only pension quotation that was misaligned with HMRC values was the erroneous August 2016 valuation.
- The guaranteed pension quoted in the letter of 24 March 1988 refuted any calculations PIC may present as an explanation for the reduction in pension. The complaint shouldn't be seen as one of conflicting calculations as the guaranteed pension renders PIC's calculations as irrelevant (and they'd been discredited anyway). The improved TVIN pension guaranteed by the trustees of the employer's scheme had been repeatedly overlooked and must be taken as the major issue.
- Mr S set out in a number of appendices some further details about the points he considered were outstanding.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I don't really have much to add to what I've said previously. I intend no discourtesy to Mr S but I'm going to set out my further comments somewhat briefly.

Mr S remains unhappy about a number of issues. But he's said the focus of his complaint should now be on the letter dated 24 March 1988 rather than the conflicting calculations. My conclusions about the letter are as I've previously indicated – that essentially we can't take this issue any further forward. I know Mr S will be disappointed and I can understand why. It appears, from that letter, that he should've got, at age 65, a pension in respect of the TVIN of £5,565.8, inclusive of GMP. Instead his starting pension was less. And increases in payment will add to that. So I can of course understand why he seeks an explanation as to why the figure quoted wasn't what was actually paid.

To that end, Mr S queried if we'd contacted PIC about the improved pension announced by the trustees of the employer's scheme in 1988. As I've said above we did and we provided a copy of the letter dated 24 March 1988 in case PIC didn't have a copy.

I agree, given that the pension was stated to be a fixed amount subject to fixed rates of revaluation for a fixed period then, in theory at least, the sum quoted as payable at age 65 should've been accurate. But we don't know the basis on which the figure was calculated. In particular, there's no breakdown of the GMP and the excess pension. The figure quoted and/or the split between GMP and excess pension could've been simply incorrectly calculated. The letter was sent in 1988. The employer's scheme wound up in 2013, some 25 years later. It's possible that something may have happened in the interim or on winding up, which affected members' benefits, even those referred to as guaranteed.

Unfortunately PIC was unable to shed any light on why Mr S's TVIN pension is less than the letter indicated. I don't see that we can make any enquiries of any other party. The employer's scheme was wound up in 2013 and key parties such as the trustees, who were involved in the running of the scheme and in the negotiations when the scheme was wound up and benefits bought out with PIC, no longer exist.

Further and in any event, I don't think it's directly relevant to our investigation of Mr S's complaint against PIC. Although he's referred to the amount quoted in the letter as a guaranteed pension, as I've explained, PIC's responsibility is to pay the annuity set out in the schedule of benefits. Any guarantee given by the trustees of the employer's scheme won't bind PIC. PIC's contractual obligation to Mr S is to pay the benefits set out in the schedule. So, any discrepancy between what PIC is paying and what the letter dated 24 March 1988 indicated is outside the scope of Mr S's complaint about PIC. I know that's not satisfactory as far as Mr S is concerned and will leave him with unanswered questions. But the benefits Mr S had accrued in the employer's scheme were replaced by the benefits PIC agreed to pay Mr S as set out in the schedule of benefits.

Difficulties have arisen as Mr S's benefits have several components which are subject to different provisions. And Mr S's GMP has to be apportioned and revalued. Differing information has been given and delays have arisen which have meant Mr S has lost confidence in PIC and its ability to calculate his benefits correctly. But, from what I've seen, and as I've said, I'm satisfied that PIC is paying Mr S's benefits in accordance with the schedule of benefits. To a large extent, that's really an end to the matter.

I think Mr S's other points have already been considered. As I've said before, I don't see any real point in attempting to reconcile all the information, including the various quotations, that Mr S has received. What matters is if he's being paid the correct benefits.

I can see that he remains unhappy that PIC has been unable to provide anything in writing which supports the application of section 148 revaluation to the GMP element of the TVIN. Mr S's position seems to be that, in the circumstances, section 148 revaluation is no longer relevant. I'm unable to agree. Sometimes, when we investigate a complaint, not all of the evidence we'd like to have seen can be produced. In that sort of situation we have to come to our conclusions based on such evidence as is available.

Here, because there's uncertainty as to what method of revaluation should've applied, we've instead looked at if Mr S has been disadvantaged because section 148 revaluation has been applied. We've compared what his position would've been if fixed rate revaluation had been used. The calculations we've undertaken show Mr S hasn't been financially disadvantaged.

It seems he's better off, and that's likely to be the case for some years to come, based on section 148 revaluation and which gives the higher starting GMP of £238.16. I've recognised it's possible, in the future, he could be worse off but, taking into account that he'll have been better off for some time, it's unclear that he'll ever end up being worse off overall.

Mr S refers to PIC's letter of 29 November 2018 in which PIC admitted to revaluing the GMP by one year too few in August 2016. Again I've dealt with this in my provisional decision. I said PIC had accepted that the August 2016 quotation revalued the GMP by one year too few. But PIC pointed to its letter dated 10 March 2017 as having corrected the position. In any event, the issue isn't really about whether one or more of the quotations was wrong. It's whether Mr S is being paid the correct benefits.

Further, although Mr S remains concerned as to the number of years for which revaluation applies, I'm satisfied 29 years is the applicable period here. The government website (www.gov.uk/guidance/how-to-calculate-your-scheme-members-guaranteed-minimum-pension) says the GMP amount calculated at DOL is revalued by a compound fixed percentage for each relevant tax year after the member has ceased to be an active member of the scheme, up to and including the tax year before GMP payable age. Mr S's DOL was 26 September 1986. If revaluation applies up to and including the tax year before the GMP is payable (which is August 2016 for Mr S) then that would be up to and including the 2015/2016 tax year which is 29 years.

I've set out in full above my provisional conclusions and these form part of my final decision. I'm upholding Mr S's complaint but only in part. PIC is prepared to pay £350 for distress and inconvenience as identified in my provisional decision. I maintain that's fair and reasonable.

My final decision

I uphold the complaint but only in part. Pension Insurance Corporation plc must pay Mr S £350 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 22 February 2024.

Lesley Stead
Ombudsman