DRN-5402917

Financial Ombudsman Service

The complaint

Mr F complains that Pension Insurance Corporation plc (PIC) have incorrectly set up his pension annuity and haven't paid the benefits he was entitled to. He wants the benefits he expected paid.

What happened

Mr F joined the Civil Service Pension Scheme (CSPS) in 1986. Members paid a contribution of 1.5% of earnings to provide for widows/widower's pension benefits in the event of the members death. If the member was unmarried and remained so at the retirement age the CSPS provided for a lump sum repayment of this contribution in lieu of this benefit. Mr F's job was restructured and his benefits in the CSPS were bulk transferred to his new employer's scheme (the EDS Scheme). Mr F says he understood this included all the accrued benefits in the CSPS. He says the member booklet from January 2011 for the EDS Scheme referred to this benefit under Clause 5.5;

> *"If on retirement you are unmarried or not in a civil partnership, you may request that the contributions you have paid plus interest, may be used to provide you with additional pension benefits."*

Subsequently the EDS Scheme was closed down with its Trustees arranging for PIC to provide preserved pension benefits via an annuity policy. Initially the Trustees owned the policies, but these were then individually assigned to the members, including Mr F. The Trustees wrote to him on 27 January 2023 about this, saying:

> *"This change will not affect the benefits you receive – PIC will pay your full pension entitlement due to you from the Section, along with any benefits that may be due to your dependents."*

Mr F received a new policy document and booklet from PIC in September 2023 and his normal retirement date was in August 2024. The covering letter said;

> *"I would like to reassure you that the Trustee, with our help and the help of legal and actuarial advisors, are satisfied that your (and your dependants') pension entitlements are properly reflected in your individual annuity policy."*

The letter also said that as Mr F's retirement age approached PIC would write with further details about his benefits and options. On reviewing the policy document Mr F couldn't find any reference to the refund of contributions or other benefits being available in relation to the payments he'd made for widows/widowers benefits. And when PIC wrote providing details of the benefits available to him in February 2024 there was no mention of this either. As Mr F wasn't married, he queried this and some other points with PIC.

PIC said it had provided the benefits requested and agreed with the EDS Trustees and this didn't include any lump sum refund. It said a dependant's pension could be provided to Mr F's partner even if he wasn't married. Mr F queried this further, and a complaint was opened by PIC, but it didn't change its position.

So, Mr F referred his complaint to our service. Our investigator looked into it, but he didn't uphold the complaint.

Our investigator said PIC had confirmed it had set up the benefits as agreed with the EDS Scheme Trustees and it didn't appear to have made any error. He said the financial arrangement between PIC and the Trustees only provided for the benefits set out in the annuity policy. And consequently, it wasn't reasonable to ask PIC to pay potentially significant sums in addition to what had been agreed with the Trustees.

Mr F didn't agree and provided further documents and correspondence. Including details of the employment law TUPE regulations which he said showed that the lump sum option had always been part of his accrued benefits under the EDS Scheme and the option should be made available. Our investigator said at the time of the original transfers the TUPE regulations didn't apply to occupational pension schemes. And that meant it was possible that the specific terms of the pension could have been altered by the Trustees subsequently. Because of that he thought it most likely that the PIC policy did reflect the terms agreed with the Trustees. He said the death benefit terms provided for by the PIC policy were typical and there was no reason these wouldn't be provided for Mr F's partner in the event of his death.

As Mr F doesn't agree it has come to me to decide.

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.

Having done so I am not upholding the complaint.

I understand Mr F's frustration, but I think it's more likely than not that PIC will have set up his annuity policy as agreed with the Trustees of his former pension scheme. And there is no evidence PIC isn't providing what is set out in that policy. I can only consider PIC's actions in considering this complaint, not those of third parties. But when a pension scheme is wound up there is a considerable amount of oversight on the process which also involves The Pension Regulator. And a pension provider like PIC will analyse all the liabilities it is taking on from the Trustees very carefully before agreeing to provide the benefits.

I asked PIC whether any other former members of the EDS scheme had the option to take a lump sum in lieu of dependents pension benefits. It said it couldn't provide specific details of the arrangements agreed with the Trustees other than set out in the policy document due to confidentiality clauses. But it confirmed that the cash sum option wasn't available to any former member of the EDS scheme as *"the trustees didn't insure this benefit with us".*

So, PIC is only responsible for what was agreed with the Trustees, and it isn't unusual for the profile of pension benefits offered by schemes to change over time. And there is some evidence of an evolving wording regarding this cash option before PIC became involved. The EDS Scheme booklet from 2011 says;

> *"If on retirement you are unmarried or not in a civil partnership, you may request that the contributions you have paid plus interest, may be used to provide you with additional pension benefits."*

This is different and less certain than the CSPS rules when Mr F originally joined which said;

> *"A refund of some or all of the contributions made towards the widow or widower's benefits will be made to members who were unmarried on the last day of service and remain unmarried until reaching pension age."*

It's possible that further amendments were made after 2011. And such changes may in part have been due to the Trustees interpretation of changing HMRC practice that might result in such lump sum payments giving rise to adverse tax liabilities. So, there were some external drivers that may have led to the Scheme rules being amended over time. And, as it has said, PIC is only responsible for providing the benefits set out under the annuity policy it provided to Mr F.

Mr F's annuity policy with PIC does provide for the payment of a dependant's pension for a range of potential beneficiaries. And there is no reason to think those benefits wouldn't be provided should anything happen to Mr F. As there is no evidence that PIC hasn't set the plan up as it agreed with the Trustees or that it has treated Mr F unfairly, I can't uphold his complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 14 April 2025.

Nigel Bracken
Ombudsman