Ombudsman's Determination

Applicant	Ms Y
Scheme	CSC Computer Sciences Limited Pension Scheme (**the Scheme**)
Respondents	DXC Pension Trustee Limited (**the Trustee**) DXC (**the Company**) Mercer

Outcome

1. Ms Y's complaint is upheld and, to put matters right, the Trustee, the Company and Mercer shall take the actions set out in paragraphs 61, 62, 63 and 64 below.

Complaint summary

2. Ms Y has complained that the Company delayed her redundancy date, and that before she could leave the Company, the Trustee and Mercer changed the Scheme's actuarial factors, causing her financial detriment.

Background information, including submissions from the parties

3. The sequence of events is not in dispute, so I have only set out the key points. I acknowledge there were other exchanges of information between all the parties

4. On 1 August 1979, Ms Y commenced employment with the Company and joined the Scheme's Final Salary section with a normal retirement date (**NRD**) in January 2023, when she would be 65.

5. The Scheme is governed by the 1999 Trust Deed and Rules of the CSC Computer Sciences Limited Pension Scheme (as amended) (**the Scheme Rules**). Under the heading 'Definitions and Interpretations' it states:

   "**Early Retirement Age** means the age from which a Member may retire without any reduction in his pension which is notified to him on an individual basis."

6. The provisions governing the Final Salary section are contained in Schedule 2 of the Scheme Rules. Regarding ‘Early Retirement in Normal Health – Redundancy’, Section 5.5.2 of Schedule 2 states that:

> “The pension payable to a Final Salary Member who retires from Pensionable Service in accordance with paragraph 5.5.1 shall be calculated in accordance with paragraph 5.1 by reference to the Member’s Pensionable Service (or Final Salary Pensionable Service in the case of a Linked Member) and his Notional Final Pensionable Salary at the date of his actual retirement. If the Member is more than five years below his Early Retirement Age, the pension will be reduced by the Early Retirement Factor previously notified to the Member to take account of early payment in respect of the period by which his age falls short of his Early Retirement Age less five years…Other than in the case of a Linked Member, the pension shall be reduced by the Trustees on Actuarial Advice to take account of the Final Salary Member's Notional DC Benefit.”

7. On 22 February 2017, Ms Y had a telephone conversation with the Company, during which she was informed that her role was at risk of redundancy.

8. On 16 March 2017, Ms Y telephoned Mercer, the Scheme’s administrator, asking for a retirement quotation due to her possible redundancy.

9. On 17 March 2017, Mercer wrote to Ms Y and said that she would be entitled to claim retirement benefits from the day after any confirmed redundancy date. Attached to the letter was a benefit statement (**the March 2017 Statement**) that set out potential benefits that would be payable from 17 March 2017. The quoted figures included a full pension of £33,970.44 a year, or a maximum pension commencement lump sum (**PCLS**) of £207,278.55 plus a reduced pension of £27,412.44 a year.

10. A disclaimer in the March 2017 Statement confirmed that:-

> “This statement is based on the information currently held by the administrator of the scheme and is produced for information only. It is not proof of entitlement and confers no right to benefits. All benefits must be calculated and paid only in accordance with [the Scheme Rules] and the law, and are therefore subject to review before payment.”

11. On 6 April 2017, Ms Y attended a consultation meeting with a representative of the Company (**the Consulting Manager**) to discuss her possible redundancy. They also discussed Knowledge Transfer (**KT**), which required Ms Y to pass on information to a colleague who would be taking over her role, before leaving employment. A proposed redundancy date of 31 May 2017 was also discussed during the meeting

12. On 26 April 2017, Ms Y attended another consultation meeting during which concerns that had previously been raised by the client she was responsible for were discussed. The Consulting Manager informed Ms Y that her consultation process would be temporarily suspended while these concerns were addressed.

13. On 31 May 2017, Ms Y attended a further consultation meeting during which the Consulting Manager said that Ms Y would be made redundant on 12 July 2017, after completion of her KT responsibilities.

14. On 30 June 2017, the Company wrote to Ms Y and reiterated that her redundancy date would be 12 July 2017 as her KT period would end on that date. Her redundancy severance payment would be £35,179.23 plus a payment in lieu of notice totalling £19,236.97.

15. On 1 July 2017, the Trustee decided to adopt new actuarial factors in the calculation of all retirement benefits following redundancy (**the New Actuarial Factors**). No communication to Ms Y about the New Actuarial Factors was made.

16. On 12 July 2017, Ms Y left the Company through redundancy and became a deferred member of the Scheme.

17. On 3 October 2017, Mercer received confirmation of Ms Y's redundancy date from the Company.

18. On 11 October 2017, Ms Y emailed Mercer asking for a retirement quotation.

19. On 13 November 2017, Mercer sent Ms Y a retirement quotation for benefits from 12 July 2017 (**the November 2017 Quotation**). It set out figures including a full pension of £33,062.44 a year or a PCLS of £201,506.56 plus a residual pension of £26,552.28 per year.

20. On 27 November 2017, Ms Y telephoned Mercer to question why there was a reduction of almost £900 per year between the full pension quoted in the March 2017 Statement and that set out in the November 2017 Quotation.

21. On 7 December 2017, Mercer wrote to Ms Y confirming that the difference in figures between the March 2017 Statement and the November 2017 Quotation was due to the New Actuarial Factors being applied from 1 July 2017.

22. On 10 January 2018, Ms Y emailed Mercer complaining about the reduction in her benefits. Ms Y said she would like clarification regarding the assumptions used in the related calculations, and it was unclear why she was being "penalised" for remaining in employment with the Company longer than initially expected.

23. On 15 January 2018, Mercer wrote to Ms Y and said:-

    - The March 2017 Statement included a disclaimer to the effect that the quoted figures had been provided for information only and did not convey proof of entitlement to any benefits. Any benefits had to be calculated in accordance with the Scheme Rules.

    - Mercer had advised the Trustee to review the Scheme's previous actuarial factors (**the Old Actuarial Factors**) in July 2017, before receiving confirmation of her redundancy date from the Company.

24. On 1 February 2018, Ms Y complained under stage one of the Scheme's Internal Dispute Resolution Procedure (**IDRP**) and said:-

- Having initially received confirmation that her redundancy date would be 31 May 2017, the Company subsequently changed the date concerned to 12 July 2017. During the period between receiving the March 2017 Statement and the November 2017 Quotation the Trustee reduced her benefit entitlements.

- As the Company had delayed her redundancy date from 31 May 2017, it was unreasonable of the Trustee to apply the New Actuarial Factors from 1 July 2017. This had caused her to suffer a pension reduction of around £900 a year. Her benefit entitlements should be recalculated based on a redundancy date of 31 May 2017, using the Old Actuarial Factors.

25. On 8 January 2019, the Trustee wrote to Ms Y in response and said:-

- The Trustee reviewed the Scheme's actuarial factors at least every three years. The most recent review in early 2017 had resulted in the change from July 2017. During these reviews the Trustee had taken advice from the Scheme's Actuary (**the Actuary**) and also consulted with the Company, which supported funding of the Scheme. Considerations during the reviews included future investment returns, inflation, life expectancies, the potential impact of any changes in the actuarial factors and the timing of any change.

- When changes are made to the Scheme's actuarial factors this could result in higher or lower benefits being payable. Any new actuarial factors were normally applied in calculating retirement quotations up to three months before full implementation. This reduced the possibility of a retirement quotation being sent to a member based on actuarial factors that were obsolete at the time the benefits would have gone into payment. It was not always possible to follow this approach as some retirement quotations, such as those for potential redundancy, were sent out months before a change in the actuarial factors.

- A 'Pensions Bulletin' relating to the Scheme was distributed to members in early 2018, confirming that there would be changes in its commutation factors. During 2017 ('FY18') the Company had also been conducting a 'Workforce Reduction Program'. It was "unfortunate in hindsight" that the Company was not provided with a notice to be shared with members as part of the Workforce Reduction Programme to highlight the potential impact on benefits payable from the final salary section of the Scheme.

- Benefits must be paid in accordance with the Scheme Rules using any actuarial factors that have been approved by the Trustee regardless of the fact that there was a lack of information provided to members regarding changes in July 2017. So, it was not possible to recalculate her benefits using the Old Actuarial Factors that would have been applicable, had the termination date been 31 May 2017.

26. On 24 February 2019, Ms Y submitted a retirement claim form to Mercer having elected to take a full pension with no PCLS.

27. On 29 March 2019, Mercer wrote to Ms Y confirming that her retirement claim had been processed. Mercer said that Ms Y would receive a pension of £36,766.56 per year with effect from 12 July 2017, increasing to £38,749.80 a year from 1 April 2019. These benefits included an initial bridging pension of £3,703.88 increasing to £3,902.32 from 1 April 2019 that would be payable to her state pension age.

28. On 17 June 2019, Ms Y appealed under stage two of the IDRP and said:-

- She had not received the Pensions Bulletin that was issued to members in early 2018 or any other communication from the Company regarding changes in the Scheme's retirement benefits. That Pensions Bulletin was irrelevant, in any case, since she had already left the Company by the time it was published.

- She did not receive a response to her complaint under stage one of the IDRP for almost a year. She had chased Mercer on several occasions during this period for a response as no pension instalments were in payment. So, she was forced to rely on her redundancy lump sum payment which she had previously intended to invest.

29. On 16 August 2019, the Trustee wrote to Ms Y confirming that a response would normally be provided within two months of the date on which she made her complaint but, in this case, it may take "slightly longer."

30. On 4 February 2020, Ms Y wrote to the Trustee chasing a response.

31. On 24 February 2020, the Trustee wrote to Ms Y apologising for the delay and explained that this had been caused by the Company not responding promptly to several queries previously raised with it regarding her complaint. The Trustee said that the Company's response was due imminently.

32. On 7 April 2020, the Trustee wrote to Ms Y under stage two of the IDRP and said:

- The Company had been asked to consider augmenting her benefits to reflect the retirement factors that would have been applicable on 31 May 2017, even though there was no requirement to do so. But the Company decided not to exercise its discretion in that regard and the Trustee could not pay the proposed enhanced benefits without the Company's support in doing so.

- There had been an unreasonable delay in responding to her complaint under the IDRP. The Company had acknowledged that it contributed to this delay and agreed to award her £2,000 in recognition of the resulting distress and inconvenience she suffered.

Ms Y's position

33. A consultation meeting was initially arranged for 16 March 2017, but due to the Consulting Manager being absent through ill health, the meeting was rescheduled for 6 April 2017. During that meeting she was told there would be further consultation meetings on 26 April 2017 and 5 May 2017. 'Had the consultation process started on 16 March 2017, her termination date would have been 14 April 2017.'

34. During the consultation meeting on 26 April 2017, she was informed that the consultation process had been suspended to ensure that the Company did not breach its contract with the client she was responsible for. In the final consultation meeting on 31 May 2017, the termination date of 12 July 2017 was confirmed.

35. The Company has taken no responsibility for the significant delays it caused that extended the redundancy process and led to a reduction in her benefit entitlements.

36. The Company delayed the start date of the consultation process, suspended it for over 3 weeks and 'extended the KT period on three occasions'. Consequently, she had not been allowed to claim the expected benefits as quoted before the actuarial factors changed in July 2017. She had been unfairly disadvantaged due to delays caused by the Company.

37. Many colleagues went through the Company's redundancy process at the same time, and they were not impacted by the Actuarial Factors changing, because their consultation processes and KT were not delayed by the Company. There may be no requirement for the Trustee and the Company to inform members in advance of any changes to the commutation factors. However, she had noted that her retirement figures increased each time before she had received the March 2017 Statement.

The Trustee's position

38. The March 2017 Statement was based on a voluntary redundancy date of 17 March 2017. It is unclear what prompted those details to be used. However, the covering letter with the 2017 Statement made it clear that the quoted figures were only an estimate, and did not convey any entitlements. The letter also confirmed that the actual benefit entitlements would be calculated at retirement and paid in accordance with the Scheme Rules.

39. Ms Y accepted a KT bonus of £1,500 from the Company for agreeing to extend her KT period. The Trustee was not involved in the consultation process and was not responsible for the delays in it. So, the Company, rather than the Trustee, should address Ms Y's grievances regarding that issue.

40. In calculating Ms Y's retirement benefits under the Scheme Rules, it was necessary to rely on the redundancy date of 12 July 2017 confirmed by the Company. The Company did not confirm that Ms Y's termination date was 31 May 2017. So, Ms Y's benefits were correctly calculated in the November 2017 Quotation.

41. There had been no requirement for the Trustee to provide Ms Y with advance notice of the change in the actuarial factors that were applied from 1 July 2017. The reduction in Ms Y's benefits was regrettable. However, the figures set out in the March 2017 Statement had always been subject to the Scheme Rules and possible changes. Consequently, those figures were not guaranteed.

42. The £2,000 award offered to Ms Y by the Company has not been paid.

43. The Company and Mercer were each given the opportunity to comment further on their position regarding Ms Y's complaint and chose not to do so.

Adjudicator's Opinion

44. Ms Y's complaint was considered by one of our Adjudicators who concluded that no further action was required by the Trustee or the Company. The Adjudicator's findings are summarised below:-

- The March 2017 Statement was based on a retirement date of 17 March 2017 and Ms Y had not left the Company at that time. So, Ms Y would not have qualified to claim the quoted benefits. Further, the disclaimer in the March 2017 Statement confirmed that it was based on information available at the time and did not convey any entitlements. So, in the Adjudicator's opinion the March 2017 Statement was not guaranteed, and Ms Y's benefits were always due to be recalculated based on her actual redundancy date.

- The Scheme Rules stated that the Trustee has discretion to amend the Scheme's actuarial factors when acting on the advice of the Actuary. The Trustee had confirmed that it complies with this requirement.

- While the Company had initially discussed a proposed redundancy date of 31 May 2017 with Ms Y during the Consultation meeting on 6 April 2017, there was no evidence that the Company guaranteed that this would be the case. The Company consistently maintained that Ms Y's redundancy date was subject to business needs or completion of appropriate KT.

- Ultimately, the Company confirmed that Ms Y's redundancy date was 12 July 2017. Ms Y subsequently requested a retirement quotation on 11 October 2017. By that time the New Actuarial Factors had been applied in accordance with the Scheme Rules. So, the benefits quoted in the November 2017 Quotation were lower than had been set out in the March 2017 Statement. There had been no requirement for either the Trustee, the Company, or Mercer to consider anything other than the Scheme Rules in establishing Ms Y's benefit entitlements.

- In the Adjudicator's opinion, there was no evidence that Ms Y suffered financial detriment resulting from maladministration by the Trustee, the Company, or Mercer in quoting reduced benefits in the November 2017 Quotation. Consequently, there was no requirement for the Trustee, the Company, or Mercer to honour the commutation factors or benefits that would have been applicable, had Ms Y's redundancy date been 31 May 2017.

- The Company has acknowledged that it was at fault for a significant part of the delay in completing the IDRP between 1 February 2018 and 7 April 2020. In the Adjudicator's opinion this poor service would have caused Ms Y distress and inconvenience. The Pensions Ombudsman publishes guidance on redress for non-financial injustice which can be found on our website.

- In the Adjudicator's view, the Company's award of £2,000 to Ms Y was sufficient recognition of the non-financial injustice she had suffered and was in line with what the Pensions Ombudsman would award for applicants who have suffered severe distress and inconvenience. In the Adjudicator's view it was unlikely that the Ombudsman would consider a larger award to be more appropriate.

45. The Trustee, the Company, and Mercer accepted the Adjudicator's Opinion, Ms Y did not, and the complaint was passed to me to consider. Ms Y provided her further comments. I note the additional points raised by Ms Y.

Ms Y's additional comments

46. A KT completion date of 31 May 2017 was proposed during the consultation meeting on 6 April 2017. The consultation process had been due to last for 30 days and end on 5 May 2017 with a redundancy date confirmed at that point. This would have been the case, had the Company not delayed the second and third consultation meetings that were proposed on 6 April 2017.

47. During the final consultation meeting that was eventually held on 31 May 2017 she was made redundant, as confirmed by the Consulting Manager who said, "you are now redundant", and the meeting notes also confirmed this. The Consulting Manager did not confirm her redundancy date was 12 July 2017. That was a termination date when KT was expected to have been completed as stated in the meeting notes.

48. A KT period was necessary because of contractual arrangements that the Company had with a client. Otherwise, she would not have needed a termination date and would have left on 31 May 2017. The Company's letter dated 30 June 2017 stated that her redundancy date had been confirmed during the meeting on 31 May 2017 and that following the completion of KT, her termination date would be confirmed. The letter did not state that her redundancy date was 12 July 2017

49. The Trustee was "sympathetic" with her request for retirement benefits to be calculated with effect from 31 May 2017, but this would have required the Company's consent. Mercer had also said that she would receive retirement benefits from the day after her confirmed redundancy date. The Company was negligent in not confirming her correct redundancy date to Mercer, and instead quoted the termination date for the retirement benefits calculation.

Ombudsman's decision

50. Ms Y has complained that there should have been a 30-day consultation process ending with her redundancy, and she received a confirmed termination date of 12 July 2017 from the Company. Ms Y contends that the termination date was later than her 'redundancy date of 31 May 2017' so the Company was at fault for not confirming the correct redundancy date with Mercer, causing her benefits to be reduced based on the New Actuarial Factors.

51. The way in which the Company dealt with Ms Y's redundancy fell outside of the scope of this investigation. However, having reviewed the Company's letter to Ms Y dated 30 June 2017 I note that it stated, "…your employment with [the Company] will end once KT has been completed by reason of redundancy. We anticipate KT will be completed by [12 July 2017] and therefore your employment will end on this date... it is with regret, that your redundancy was confirmed to you at the end of the consultation period on [31 May 2017] because we were unable to find a way to avoid your redundancy throughout the period of consultation with you."

52. Mercer's letter dated 17 March 2017 had previously stated that Ms Y would be entitled to claim retirement benefits from the day after any confirmed redundancy date. I would consider this to refer to the date on which her employment terminated by reason of her redundancy as the retirement benefit would not be payable until her employment terminated. Paragraph 5.5.2 of Schedule 2 of the Scheme Rules (as set out in the Appendix) that addresses early retirement in cases of redundancy provides for a pension to be payable when a member retires in circumstances of redundancy and I find that Ms Y could only retire when her employment terminated. While Ms Y's redundancy, i.e. that her post was redundant and that her employment would be terminated for reasons of redundancy, was confirmed on 31 May 2017, the actual date of her termination for reason of redundancy was not specified at that time since it was subject to completion of KT. She remained employed so as to enable KT to be completed. Mercer received confirmation from the Company on 3 October 2017 that Ms Y's redundancy date was, in fact, 12 July 2017. I find that this is consistent with the letter dated 30 June 2017 and there is no evidence of maladministration by the Trustee, the Company, or Mercer in reaching that conclusion. I also find that Ms Y did retire in circumstances of redundancy following the termination of her employment on 12 July 2017.

53. Ms Y did not subsequently ask for a retirement quotation until 11 October 2017, by which time the Trustee had implemented the New Actuarial Factors in accordance with their decision of 1 July 2017, having acted upon the advice of the Actuary.

54. However, I note that paragraph 5.5.2 of Schedule 2 of the Scheme Rules providing for pension on early retirement in cases of redundancy provides that "the pension will be reduced by the Early Retirement Factor previously notified to the Member to take account of early payment in respect of the period by which his age falls short of his Early Retirement Age less five years".

55. The definition of Early Retirement Factor also expressly provides that it is the factor applied to the pension entitlement of a Member “which is notified to him on an individual basis”.

56. The Scheme Rules included clear provision that the early retirement factor to be applied on early retirement in cases of redundancy was one that had been previously notified to the individual member.

57. I find that Ms Y had not been notified of the New Actuarial Factors prior to her retirement in circumstances of redundancy on 12 July 2012. I note the Trustee’s letter of 8 January 2019 states that it was “unfortunate in hindsight” that the Company was not provided with a notice to be shared with members as part of the Workforce Reduction Programme to highlight the potential impact on benefits payable from the final salary section of the Scheme arising from the adoption of the New Actuarial Factors on 1 July 2017 and that it has not been suggested that any notification was made until the ‘Pensions Bulletin’ was issued in 2018. As such the New Actuarial Factors were not the Early Retirement Factor applicable in her case.

58. I have reviewed the March 2017 Benefit Statement and note that it included details of the early retirement factor applicable. I consider that this was sufficient notification to Ms Y of the early retirement factor for the purposes of paragraph 5.5.2 of Schedule 2 to the Scheme Rules and the definition of Early Retirement Factor. As that factor was the last factor notified to Ms Y prior to her retirement on 12 July 2017, I find that it was the Early Retirement Factor applicable in her case.

59. Consequently, I find that Ms Y’s retirement benefits payable from 12 July 2017 on retirement in circumstances of redundancy should have been calculated under paragraph 5.5.2 of Schedule 2 to the Scheme Rules using the early retirement factor specified in the March 2017 Statement which was the “Early Retirement Factor” in her case. The Company’s previous offer of £2,000 is sufficient recognition of the serious distress and inconvenience Ms Y suffered as a result of the delay in completing the IDRP but I understand that it has not been paid.

60. I uphold Ms Y’s complaint.

Directions

61. In order to put matters right, the Trustee shall within 14 days of the date of this determination:-

- Request Mercer to recalculate Ms Y’s pension from 12 July 2017 in accordance with Section 5.5.2 of Schedule 2 to the Scheme Rules, using the early retirement factor specified in the March 2017 Statement that was applicable.

62. Within 14 days of Mercer recalculating the pension details, as previously referred to in paragraph 61, Mercer shall pay to Ms Y:

- A lump sum of arrears on her pension instalments from 12 July 2017 to the date of the payment.

- Interest on the above sum calculated at the base rate for the time being quoted by the Bank of England.

63. The Company shall pay an additional £2,000 to Ms Y in recognition of the serious distress and inconvenience she has suffered.

64. Once the payments, as set out in paragraph 62 above, are made, the Trustee shall ensure that future pension payments are made to Ms Y based on the recalculations previously referred to in paragraph 61.

Camilla Barry

Deputy Pensions Ombudsman
6 March 2025

Appendix

Extracts from the Consolidated Rules (includes amendments up to Deed of amendment dated 2 September 2015)

Extracts from Appendix to Schedule 1 – Definitions and Interpretations

Early Retirement Age means the age from which a Member may retire without any reduction in his pension which is notified to him on an individual basis.

Early Retirement Factor means the factor applied to the pension entitlement of a Member who retires from the Scheme on or after his Minimum Pension Age and before his Early Retirement Age, which is notified to him on an individual basis. It is the annual amount by which his pension will be reduced for early payment for the period between the date of his retirement and his Early Retirement Age.

Schedule 2, paragraph 5.5.2

5.5 Early Retirement in Normal Health - Redundancy

5.5.1 If a Final Salary Member other than a Section C RM Member who has completed five years' Qualifying Service and is not a Linked Member retires from Pensionable Service before Normal Retirement Date in circumstances of redundancy (as defined by Section 139 of the Employment Rights Act 1996), and on or after his Minimum Pension Age (or age 55 in respect of a Former GPP Member), he shall be entitled to an immediate annual pension payable during his lifetime.

5.5.2 The pension payable to a Final Salary Member who retires from Pensionable Service in accordance with paragraph 5.5.1 shall be calculated in accordance with paragraph 5.1 by reference to the Member's Pensionable Service (or Final Salary Pensionable Service in the case of a Linked Member) and his Notional Final Pensionable Salary at the date of his actual retirement. If the Member is more than five years below his Early Retirement Age, the pension will be reduced by the Early Retirement Factor previously notified to the Member to take account of early payment in respect of the period by which his age falls short of his Early Retirement Age less five years. If the Member is not more than five years below his Early Retirement Age, the pension will not be reduced. Other than in the case of a Linked Member, the pension shall be reduced by the Trustees on Actuarial Advice to take account of the Final Salary Member's Notional DC Benefit.