

**PENSION SCHEMES ACT 1993, PART X**  
**DETERMINATION BY THE PENSIONS OMBUDSMAN**

**Applicant** : Mrs J M Quest  
**Schemes** : Local Government Pension Scheme  
Center Parcs Pension Scheme  
**Respondents** : Dorset County Council (manager of the Local Government Pension Scheme)  
Aon Consulting Limited (administrator of the Center Parcs Pension Scheme)  
The Trustees of the Center Parcs Pension Scheme

**Subject**

Mrs Quest's complaint is that:

- Dorset County Council (**the Council**), Aon Consulting Limited (**Aon**) and the Trustees of the Center Parcs Pension Scheme improperly delayed the transfer of her preserved pension benefits; and
- The transfer value was incorrect.

**The Ombudsman's determination and short reasons**

The complaint should be upheld against the Council, Aon and the Trustees of the Center Parcs Pension Scheme, because they caused delays which resulted in financial loss for Mrs Quest.

## DETAILED DETERMINATION

### Material Facts

1. Mrs Quest was a member of the Local Government Pension Scheme (LGPS). In July 2001 Mrs Quest asked the Council for a quotation, showing how much service credit in the LGPS would be purchased by the transfer value of her preserved benefits in the Center Parcs scheme, which was a money purchase scheme. The Council wrote to Aon on 4 August 2001 and Aon replied on 4 September 2001. Aon enclosed a transfer quotation and a transfer request form. The quotation gave the transfer value as £72,265.57 and provided all the necessary information, including Mrs Quest's dates of joining and leaving the Center Parcs scheme. The quotation stated that guaranteed minimum pension (GMP) revaluation was not applicable, and that no GMP was included in the figures shown. The quotation included the statement:

“COD (GMP) provided by the DSS – N/A”.

2. The Council sent three letters to Aon requesting GMP information and dates of service. On 3 April 2002 Aon provided a further transfer quotation of £70,673.70, and a discharge form. The quotation stated that the transfer value paid would depend on the unit prices applicable on the date of payment. The quotation again stated that GMP revaluation and “COD(GMP)” information was not applicable. On 1 May 2002 and 14 May 2002 the Council pressed Aon by telephone for a COD (Contracted Out Deduction) figure. Aon obtained this from HM Revenue and Customs (HMRC) and faxed HMRC's figures to the Council on the day of receipt, which was 15 May 2002. On 16 May 2002 the Council wrote to Mrs Quest stating that the transfer value would purchase a service credit of 15 years 144 days. The letter went on to say:

“Present style transfer value calculations are dependant on investment market factors and therefore in the ensuing weeks until the transfer value is actually paid, the above illustration may either go up or down in value to reflect investment trends. It is hoped that any variation will be slight. You will receive written notice of the final service credit obtained if the transfer takes place. The election to transfer is a once and for all decision which cannot be reversed after payment is received.”

3. Mrs Quest decided to go ahead with the transfer. She signed the discharge form and the Council requested payment from Aon on 21 May 2002. On 24 January 2003 the

Council received £54,698.01 from Aon. The transfer value purchased a service credit of 11 years 8 days in the LGPS.

4. Mrs Quest complained about the drop in the transfer value and the Council took up the matter on her behalf. Letters, emails and telephone calls passed regularly between Aon and the Council. By this time Mrs Quest had joined the Teachers' Pension Scheme (TPS), and was pressing the Council to complete the transfer from the Center Parcs scheme, so that she could in turn transfer her LGPS benefits to the TPS.
5. On 11 January 2005 Aon wrote to the Council, stating that the statutory regulations relating to transfers provided for a six month period in which to process a transfer after receipt of a completed discharge form. Aon said that the completed form had been received on 22 May 2002 and the transfer value six months later, ie 22 November 2002 was £55,097.74. This amount would purchase a service credit of 11 years 234 days. As the amount already paid had purchased 11 years 8 days, Aon offered a further £3,056.69, which would purchase a further 226 days in the LGPS.
6. The Council asked Aon to make payment "in full and final settlement" without referring the matter to her. After payment was made Mrs Quest was credited with an additional 226 days service in the LGPS, making her total service credit 11 years 234 days. She then transferred her LGPS benefits to the TPS.
7. Mrs Quest complained to Aon and the Council. Aon said that it regarded the matter as closed. The Council said that it had made enquiries of Aon and discovered that transfer values in the Center Parcs scheme started to decline soon after the April 2002 quotation was provided. The Council accepted that it had caused delays and that it would have been preferable to advise Mrs Quest of Aon's offer of settlement, rather than simply go ahead with the transfer. The Council paid Mrs Quest £500 compensation for the distress and inconvenience caused to her by these shortcomings on its part.

### **Mrs Quest's position**

8. Mrs Quest says:
  - The transfer process took too long. Aon and the Council both needlessly delayed matters and she had to regularly enquire about progress.

- The Council should not have accepted Aon's offer without consulting her first.

### **Aon and the Center Parcs trustees' position**

9. Aon says (representing itself and the trustees):

- The transfer value was not guaranteed. It paid appropriate compensation for the delay over the maximum period of six months allowed for a transfer. That should have been the end of the matter.
- The trustees of the Center Parcs scheme directed that a correction exercise be undertaken, which adversely affected transfer values and delayed payment of them throughout the period in question.
- It was not required to quote the COD to the Council. The Council could not issue a transfer value quotation to Mrs Quest until it had obtained the COD figures from HMRC, and it was the Council's responsibility to do that.

### **The Council's position**

10. The Council says:

- The drop in the transfer value from the Center Parcs scheme was a matter outside its control.
- It accepts that at times Mrs Quest had to press for answers to her questions and that it would have been preferable to consult her about Aon's settlement offer. However, Mrs Quest was pressing for the transfer to the TPS to be actioned as soon as possible and that is why she was not consulted.
- It considers the payment of £500 already made to Mrs Quest to be adequate compensation for its admitted shortcomings.
- HMRC would not have provided the COD information to the Council. The information had to be requested by Aon or the trustees of the Center Parcs scheme.

## Statutory Provisions

11. The Transfer Regulations (SI number 1847) provide that for a money purchase scheme, the trustees must provide a transfer value quotation within three months of a member requesting it. If the member then decides to go ahead with the transfer, the trustees must take the necessary action within six months of the date on which they received the member's application to transfer. If the trustees wish to extend this period beyond six months, they must apply for permission from the Pensions Regulator. If the six month period is exceeded without a reasonable excuse, either the transfer value must be recalculated as at the date on which the member's application was received, or interest must be added to the original transfer value at 1% over base rate, if this would produce a greater amount.

## Conclusions

### *Mrs Quest's complaint against the Council*

12. On 4 August 2001 Mrs Quest applied, via the Council, for a transfer value quotation. On 5 September 2001 the Council received the quotation giving all the information that Aon and the trustees were obliged to provide, together with a discharge form.
13. If the Council needed the COD figure and could not obtain it directly from HMRC then they could have made a clear and direct request to Aon for the missing information. There is no evidence that they did so. In fact throughout the complaint Dorset have used "GMP" as if it and a COD were the same thing. It would be understandable if Aon were confused by requests for a GMP, not relevant to the Center Parcs scheme.
14. However, even if the responsibility for the delay lay with Aon, the Council compromised any claim Mrs Quest had against Aon, without reference to Mrs Quest. So to the extent that Aon might be part responsible, the Council through maladministration in accepting the compromise, should now be liable.
15. HMRC provided the COD figure to Aon in 15 days and the Council sent a transfer quotation to Mrs Quest on the following day. Thus it is reasonable to assume that the Council could have provided Mrs Quest with a transfer quotation on 21 September 2001, which would have been based on a higher transfer value. I consider that Mrs

Quest would have accepted it more or less immediately; say by 28 September 2001, as she accepted the transfer quotation that was eventually provided within a week of receiving it.

*Mrs Quest's complaint against Aon and the trustees*

16. When the Council pressed Aon for GMP information that was not relevant, it would have been sensible for Aon to point this out, instead of simply ignoring the Council's letters. Although Aon now says that obtaining COD information was not its responsibility, it appears to have thought that it was at the time, because Aon did obtain the information from HMRC when pressed to do so. If Aon had made its position plain when the Council sent its first reminder letter, at least some of the delay could have been avoided.
17. Following Aon's receipt of the transfer form, payment was delayed by seven months. If there had been any good reason for the delay, permission for a longer period could have been sought from the Pensions Regulator. The fact that this was not done indicates to me that there was no reasonable excuse.
18. I note in passing that Aon's view that their liability is limited to any time taken beyond the six month maximum is not one that I share. If there was maladministration leading to delay, they would (but for the compromise) be liable for it whether inside or outside the six month maximum.

**Directions**

19. Within 14 days of the date of this Determination, Aon shall calculate which is the greater; Mrs Quest's transfer value in the Center Parcs scheme as at 22 May 2002, or the transfer values already paid (£54,698.01 and £3,056.69) plus interest. The Council shall then calculate the additional service credit that the greater of the two amounts would have purchased in the LGPS in June 2002. If this is greater than the total service credit already purchased by the transfers from the Center Parcs Scheme, the trustees of the Center Parcs Scheme shall pay the amount required to purchase the difference to the Teachers' Pension Scheme within 28 days of the date of this Determination.

20. Within 14 days of the date of this Determination, the Council shall calculate the additional service credit that would have been purchased in the LGPS on 28 September 2001 by a transfer value of £72,265.57. If this is greater than the total service credit already purchased by the transfers from the Center Parcs Scheme plus any additional amount paid as a result of the Direction in paragraph 16 of this Determination, the Council shall pay the amount required to purchase the difference to the Teachers' Pension Scheme within 28 days of the date of this Determination.

**TONY KING**  
Pensions Ombudsman

3 December 2008