Case study: Pensions

MISUNDERSTANDING REGARDING PENSION PLAN INVESTMENT LEADS TO COMPLAINT

Themes: Pension plan; trustee; investment manager; administrator; capital value.

This complaint relates to a pension plan that the complainant believed had lost value due to poor investment management choices.

In 2016, Mr P joined an employee pension plan through his employer, opting for a plan that did not require him to make any investment decisions and stipulated his retirement age. Mr P was provided with an investment guide and a membership booklet for his pension plan. The pension plan had been set up as a collective fund, with a trustee appointed by Mr P's employer to act as administrator. However, the trustee who was not responsible for monitoring the investments, did have the power to remove or add any investments if it deemed necessary.

In July 2022, Mr P was approaching his retirement age. He complained to the trustee as he realised his pension value had fallen by approximately £50,000 and believed this was due to their poor investment management of his pension assets. The appointed trustee advised that although the investment values within Mr P's pension plan had fallen, the expected annuity yield had actually increased, meaning Mr P's income at retirement would ultimately be unchanged. The appointed trustee also advised that Mr P's pension plan option was for a long-term provision and that Mr P was welcome to change this to a self-select plan that would enable him to make investment decisions for himself. Mr P did not accept the trustee's explanation and referred his complaint to CIFO.

CIFO investigated and noted that the investments were made on behalf of a group of investors, the employees of a Bank, and provided two options for investment, a balanced investment strategy or a self-select option. The trustee had provided the pension plan to Mr P in accordance with Mr P's employer's requirements. Mr P's specific pension plan was in the form of a long-term provision rather than a plan that would maximise the capital value. Mr P requested clarification of who then was responsible for making the investment choices, as he felt these decisions had severely affected his pension value. CIFO reviewed the information supplied by the trustee of the pension plan and noted that the pension plan strategy met with the aims of Mr P's employer and that Mr P's individual pension plan option was correctly established to maintain retirement income despite the capital value of the pension plan having fallen. CIFO also noted that the pension plan's investment guide and membership booklet provided to Mr P when he joined the pension plan clearly set out details of this structure. Therefore, CIFO did not uphold the complaint.