

Q: What is the Issue?

A: Some pensioners who worked in the public sector have been receiving a larger than expected increase to their pensions each year.

Q: Why?

A: Some pensioners are entitled to a Guaranteed Minimum Pension (GMP) as part of their occupational pensions. They receive an annual increase in line with the Retail Price Index (RPI). In the affected cases, part of the GMP increase has been paid by both the scheme pension administrator and the Department for Work and Pensions (DWP), resulting in an overpayment of pension to some pensioners.

Q: What is a GMP?

A: A GMP is the minimum pension which an occupational pension scheme must provide. It applies to schemes which contracted out of the State Earnings Related Pension Scheme from 1978. All public service schemes, for example NHS, Teacher and Local Government, are contracted out.

People who were members of a contracted out pension scheme between 1978 and 1997 may be eligible for a GMP element within their occupational pension. It is a notional benefit which is only paid if the occupational pension is less than the guarantee element and is not a separate benefit to be paid in addition to their occupational pension.

Q: Does every pensioner have a GMP?

A: No. Only those who were employed between 1978 and 1997 and who paid the full employed persons national insurance contribution have an entitlement. Various groups of pensioners will not have a GMP entitlement, for example those who were paying the married women's rate of National Insurance.

Q: Who is affected?

A: A proportion of pensioners (about 4-5%) who were members of a public service pension scheme between 1978 and 1997 and who have a GMP entitlement are affected. Some 6,000 people in Scottish NHS, and teachers pensions schemes are affected out of a total of 129,000 pensioners. Pensioners of UK schemes covering the civil service, MOD and judiciary may also be affected.

Scottish Local Government, Police and Fire Schemes are still finalising their investigation into the matter.

Q: Does this affect private sector schemes, as well?

A: We are not aware of any private sector schemes that are affected. However, Scottish Ministers have concentrated on the schemes they are responsible for, the Local Government, the NHS, Teachers, Police and Firefighters schemes in Scotland.

Occupational pensions is a matter that is reserved to the UK Government. The Department for Work and Pensions (DWP) <http://www.dwp.gov.uk> may be able to answer this question.

Q: How did the overpayments occur?

A: Public service pensions are increased each year in line with the Retail Prices Index (RPI). The occupational scheme pays the increase on the whole pension, including the GMP element, until pensioners begin to receive their state pension. Thereafter the GMP element is shared between the scheme and the State. A proportion of public service pensioners did not have a GMP shown on their pension record which has meant that they have received the increase twice: once with their occupational scheme and again with their State pension. The result of this is that they have been overpaid.

Q: Why was the GMP not recorded on the pension record?

A: The agreed procedure whereby Her Majesty's Revenue and Customs (HMRC) provides information to occupational pension scheme administrators has failed in a small proportion of cases. All public service schemes are working with HMRC and DWP to identify any patterns to the missing information. Administrative processes are being amended to prevent a recurrence of the issue.

Q: If someone has not received a letter, is the pension correct?

A: Every NHS and Teachers scheme pensioner in Scottish schemes should have received a letter to advise, either that the pension was correct, or potentially wrong. If no letter has been received they can write to the Director of Operations at SPPA for information. The UK Government intends to write only to those pensioners who have received an overpayment from schemes that it administers. Scottish Local Government, Police and Fire Schemes are still finalising their investigation into the matter

Q: When will letters about the inflation adjustment from April be sent?

A: The annual inflation amounts are not normally announced until later in March. SPPA will write to everyone as soon as they have more information on this from HM Treasury

Q: How will pensioners of Local Government, Police and Fire pension schemes know if they are affected?

A: The individual pension scheme administrators for the Local Government, Police and Fire schemes will be examining their systems to see if the problem affects them.

They will contact affected pensioners once they have completed that work, which may take some time.

However, even if pensioners in these schemes are affected, they will continue to receive the overpayment they are currently getting along with their correct pension.

Q: Why are local government/police/fire scheme pensioners not having to lose pensions?

A: The Scottish Government will put in place regulations which will allow current levels of payment to continue. From April 2009, the correct increases to GMP will be in place. Because of devolved powers, the Scottish Government does not have to seek the consent of the Treasury, and therefore a different solution is possible.

Q: Why can't this be done for NHS and Teachers scheme pensioners?

A: Changes to the regulations for these schemes require the consent of HM Treasury, and such consent was withheld, despite the request of the SG. The SG therefore have no option but to implement the decision of the UK Government, and correct wrong pensions caused by the GMP issue from April 2009.

Q: Why has the Scottish Government adopted a different approach to the rest of the UK?

A: Scottish Ministers took the view that no-one should have to repay money because of mistakes by Government Departments/Agencies and therefore decided that it was appropriate to write-off any overpayments.

The SG also felt that it was wrong to reduce someone's pension, which would have been in payment for many years, and especially since there was no-way that the individual would have realised they were receiving the wrong amount.

Despite these views being presented to the UK Government, no HM Treasury consent was given and this is why the final decisions in Scotland are different to the rest of the UK.

Q: Who can those affected talk to if they need further information or advice?

The helpline number for NHS and Teachers' pensioners is **01896 892463**. Pensioners in other schemes should contact their pension scheme administrators.

Q: What help is available in the event of any hardship this may cause?

A: Once the figures are known in April 2009 individuals may be eligible for other financial assistance. They may be eligible for Pension Credits from the Pension Service, who can be contacted on **0800 99 1234**. They are open from 8am to 8pm Monday to Friday.

People can also contact their local Council Offices and inform them of the change in their income, in case they are eligible for assistance with Housing Benefit or with their Council Tax.

Q: Can those affected take the matter further?

A: The SPPA has an internal dispute resolution procedure (IDRP) for pensioners who are unhappy with a decision affecting their pension and full details are contained in the SPPA web site at <http://www.sppa.gov.uk/complaints.htm>. They can also write to the Director of Operations at SPPA and ask for the IDRP guide which explains what their rights are if they remain dissatisfied with the decision.

Other schemes have similar arrangements.