

Members of the Management Advisory Group Scotland
Members of the Scottish Pensions Group
Members of the Scottish Local Government Pensions Advisory Group
Scottish Public Service Unions (Local Govt., NHS, Education, Police and Fire)
Other Interested Groups

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Dear Colleague

Update on Pensioner Overpayments

You will recall that I wrote to you on 16 December explaining that a small percentage of public sector pensioners in Scotland had been overpaid. Those overpayments arose from incorrect annual inflationary increases to an individual's Guaranteed Minimum Pension (GMP) entitlement. This letter provides you with an update on this issue.

Further developments

The SPPA, which administers both the Scottish Teachers and NHS pension schemes, has made good progress with resolving the 6,009 cases announced on 16 December. However, you will wish to be aware that the Cabinet Secretary for Finance and Sustainable Growth has today announced via a Parliamentary Question that a further tranche of erroneous pension payments has been identified by the UK National Insurance Contributions office (NICO). Once again, this issue affects public sector schemes across the UK.

Regrettably, I can confirm that the additional data provided by NICO has identified that an additional 421 Scottish Teachers scheme pensioners and 287 Scottish NHS pensioners have received overpayments. This brings the total of those affected by the GMP overpayment issue in those two schemes to 6,717 – around 5.2% of all NHS and Teachers pensioners.

As this further development affects schemes across the UK, we suspect that it will also affect the Scottish Local Government, Police and Fire pension schemes. However, we would expect any new cases to have been included in the scoping work currently being carried-out by scheme administrators in conjunction with NICO.

Treatment of additional cases

I can confirm that these additional cases will be treated in exactly the same way as those identified in the 16 December announcement. In summary, this means that:

- a) past overpayments will be written-off, rather than recovered from affected pensioners;
- b) affected Teacher and NHS pensioners will have their pensions corrected going ahead, though, it will not be possible to conclude that by 5 April 2009 for these additional cases;
- c) affected Local Government, Police and Fire pensioners will retain the overpaid amounts as part of their ongoing entitlement.

What will happen next and where can people get more information

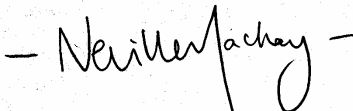
The Agency is writing to those NHS and Teachers scheme pensioners affected by this latest development, explaining the issue and the action being taken. The Agency has established a helpline for those affected and also placed advice and guidance on its website (www.sppa.gov.uk). It is deeply regrettable that, based on the information provided to the Agency by NICO last year, the NHS and Teacher pensioners affected by this latest development will have received letters from the Agency in December 2008 informing them that they were not affected. That action, taken in good faith, received widespread approval from stakeholders including pensioners and trades unions. Had we any doubts over the quality of the checks undertaken by NICO we would have taken a more cautious approach to communicating with pensioners.

I can also confirm that, following the statutory consultation on the proposed amendments to the Scottish Local Government, Police and Fire pension schemes, revised secondary legislation will be brought before the Scottish Parliament later in the Spring. We will be writing out to scheme administrators with details at that time.

How you can help

As before, your organisation may be contacted by former employees or their representatives to ask whether they have been affected by this issue. It is obviously a matter for you to decide how your organisation will deal with any queries you receive. However, in the first instance we would be grateful if you would make sure that the relevant people in your organisation have seen a copy of this letter and are aware that further details are set out on our website www.sppa.gov.uk information.

Yours sincerely



Neville Mackay
Chief Executive