



Merseyside Pension Fund

[DRAFT] Overpayment of Pensions Policy

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Introduction

This is the overpayment of pension policy for Merseyside Pension Fund (MPF) which is managed by Wirral Borough Council (the administering Authority). The policy had been consulted upon with the members of the Wirral Local Pension Board, and then approved by the Wirral Pensions Committee at its meeting held on

An overpayment can be described as a payment made which there was no entitlement to under the pension scheme regulations and can occur for a variety of reasons.

MPF has procedures, systems, and controls in place to avoid overpayments. On occasions, however, overpayments arise, for example, in the case of an administrative error or where information that should result in the termination of a pension is received some time after an event.

Fund Contact – Benefits & Payroll Team – 0151 242 1391

Purpose

The purpose of this document is to set out the policy in relation to dealing with the recovery of overpaid pension benefits.

The policy is designed to provide assurance to the Fund's stakeholders that:

- all overpayments are treated in a fair and equitable manner
- MPF seeks to recover all overpayments but acknowledges there may be legal reasons or other circumstances which mean an overpayment may in practice not be able to be recovered in whole or in part, and
- has steps in place to prevent and investigate potentially fraudulent activity.

Statutory Framework

The Finance Act 2004 and subsequent legislation sets a 'de minimis limit' of £250 which allows for the non-recovery of a payment up to £250 made in error "because of circumstances that were beyond the control of the registered pension scheme making the payment".

Overpayment Events

Administrative Error

In cases of an administration error overpayments of less than £50 will not be recovered but the member's pension will be adjusted to the correct rate and a letter with an explanation will be sent to the member. However, where there has been a bulk error as a result of the Pension Increase program that affects several individuals' overpayments of less than £50 may be recovered.

All MPF fault overpayments that are £50 or more will be recovered and where the amount is £500 or more, the case will be referred to the Service Area Manager for assistance in recovery of the money.

Current Pensioners

Where recovery is negotiated by instalments from pension payments, MPF will recover the sum due over the same length of time during which the overpayment occurred.

In exceptional circumstances, at the discretion of the Benefit Manager, the overpayment may be recovered over a longer period limiting the reduction to 20% of the gross value of the monthly pension.

If a member dies whilst the schedule of instalments is still outstanding a claim will be made from the pensioner's estate.

Employer Fault Errors

For any employer fault overpayment, the employer will be invoiced an administration fee as detailed in the Pension Administration Strategy although this charge may be waived at the discretion of the Service Area manager.

Overpayment due to the Death of a Retired or Dependent Member

As pensions are paid 10 days in arrears and 20 days in advance of the calendar month this results in a number of overpayments occurring in the month of death. Those less than £250 satisfy the HMRC statutory 'de minimus limit' and definition of payments made beyond the control of the registered pension scheme.

In line with the statutory framework an overpayment of less than £250 gross will be written off where there is no survivor pension or death grant payable

In such circumstances, the Fund's approach will be that the sum written off is treated as a liability against the scheme member's former employer.

For any overpayment of £250 gross or above a claim will be made against the pensioner's estate unless there is a survivor's pension or death grant to offset against the overpayment.

Actions to Mitigate Impact of Overpayment of Pension

Where death notifications are received after payroll close but prior to pay date, payments will be recalled via BACS to avoid any overpayment.

Where there is an overpayment following death and there is a survivor's pension or death grant due, the total net overpayments will be deducted from the benefits payable

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Recovery Action

Where there is a total gross overpayment of £250 or more and no further benefits are payable recovery will be pursued from the notified executor or beneficiary of the deceased's Estate. This involves a sundry debtor invoice being raised against the executor/beneficiary, but as the debt relates to a deceased member a one-month hold is put on the invoice to allow the beneficiary or executor of the Estate to deal with the matter.

Any failure to settle after one month will be pursued under Wirral Council's debt recovery process.

Where a beneficiary or executor has indicated that they are unable to repay the overpaid pension each case will be considered by legal on an individual basis regarding its particular nature and sensitivity, taking into account the following:

- a) How the overpayment occurred
- b) The ability of the individual or deceased's estate to repay
- c) The amount of distress caused to the individual
- d) The commercial viability of recovery action
- e) The potential to issue a charging order against property

Write offs

There are several reasons for an overpayment to be recommended for write off as follows:

- a) The overpayment is not recoverable as it is statute barred under the Limitations Act as a period of 6 years has passed since the debt was confirmed as outstanding
- b) The beneficiary is deceased and there are insufficient funds in the estate
- c) The beneficiary /executor does not have the means to repay and will not have the means to repay in the future or there are insufficient funds in the estate.
- d) The amount of distress caused to the beneficiary (health considerations)
- e) The potential cost of any IDR/Pensions Ombudsman case versus the amount of the overpayment.

Recording and Reporting

Accounts that remain unpaid after all procedures of the corporate debtor system have been completed are referred to the corporate legal team for assessment and due consideration of the prospect of recovery before the invoice is recommended for write off with a memo issued to MPF.

There are two categories:

Invoices Under £1,000

Details of the overpayment must be passed to the Head of Pensions Administration (HOPA) including the overpayment calculation, the signed beneficiary form and the appropriate correspondence from legal services recommending write-off of the account.

The HOPA will review the documentation and prepare a report for the Director of Resources with a request to write off the account.

Invoices Over £1,000

Details of the overpayment must be passed to the Head of Pension Administration (HOPA) including the overpayment calculation, the signed beneficiary form and the appropriate correspondence from legal services recommending write off of the account.

The HOPA will review the documentation and prepare a report for the Director of Resources with a request for approval to submit the report to Pension Committee recommending write-off of the account.

Fraud and Prevention

MPF has the following processes in place to minimise the risk of overpayments occurring and the occurrence of fraudulent activity:

- a) MPF participates in the National Fraud Initiative which is conducted every two years, it compares pensioners and deferred pensioners with the Department for Works and Pensions (DWP) database of deceased members and highlights matches for investigation.
- b) MPF conducts overseas life existence checks to ensure only legitimate pensions are being paid.
- c) MPF has procured the services of a mortality screening company to undertake weekly checks of the pensioner payroll against the Disclosure of Death Information (DDRI) as published by the General Register Office (GRO).
- d) A monthly diary report is run on the pension administration system to identify children approaching age 18 to ascertain whether the entitlement to a child pension ceases or continues due to ongoing full-time education.
- e) An annual exercise is undertaken to review child pensions for those aged 18 to 23 in continuous full-time education requiring proof of attendance at a school/college/university.
- f) MPF participates in the National LGPS database which is a data sharing project to prevent overpayment of death grants and feeds into the DWP 'Tell Us Once' service provided by some registry offices, this facilitates quicker access to information about the death of pensioner members.

For any overpayment cases if fraud is suspected then the case will be referred to Internal Audit and/or Legal as necessary for any further appropriate action.

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Members' Website
Employers' Website

mpfmembers.org.uk
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