

## OVERPAYMENTS POLICY

### Introduction

1. The Committee will be requested to endorse the Fund's updated overpayment (of benefits) policy.

### Recommendation

2. The Committee is asked to endorse the updated overpayments policy.

### Overpayments Policy

3. The Fund has reviewed and updated its overpayment policy which was first implemented in 2012.
4. Overpayment of benefits can occur for a variety of reasons. For instance, if the Fund is not informed of the death of a member, or the notification does not occur for a number of weeks. The Fund has procedures in place to prevent overpayments and/or limit their impact, as explained later, however on occasion they do arise.
5. In the autumn of 2022, the Fund instructed the Council's legal department to undertake a review of the overpayments policy to ensure that it remained fit for purpose.
6. As a result of that review the policy has been expanded to include more detail and clarity over the overpayment processes themselves, however the principles of the original policy remain unchanged:
  - The Fund will not recover any overpayments in the month of death.
  - The Fund will not recover any overpayments that total £250 or less (including the amount when aggregated with payment made in the month of death).
  - Subject to the above the Fund will seek to recover all overpayments.
  - All overpayment write offs require approval in line with the Scheme of Delegation.
7. The policy is designed to provide assurance to the Fund's stakeholders that:
  - all overpayments are treated in a fair and equitable manner.
  - the Administering Authority will seek to recover overpayments that have occurred whilst acknowledging that there may be legal reasons and/or other circumstances which mean that an overpayment may not, in practice, be able to be recovered (in whole or in part); and
  - processes are in place to prevent and investigate potentially fraudulent activity.
8. Subject to endorsement by the Committee the policy will be implemented with immediate effect.

## **Avoiding Overpayments / Mortality Screening**

9. The Fund undertakes a number of processes to avoid overpayment of benefits.
10. From 1 April 2022 the Fund commissioned the services of Target Professional Services (UK) Ltd (Target) to undertake mortality screening of all pensioner records. Each month target will undertake a mortality trace for each member and will notify the Fund of any members who may have passed away during the period. Target will also confirm details of the register office where the death has been recorded which allows the Fund to request a copy of the death certificate.
11. Target send a monthly file of mortality traces to the Fund ahead of the pensioner payroll date so that any further payments can be suspended, thereby reducing overpayments.
12. In addition to the mortality tracing which takes place in the UK, Target also undertake an annual proof of life exercise for the Fund with overseas pensioner members. All overseas members are required to respond to this process to avoid their pension being suspended.
13. In addition to this the Fund has access to the Tell us Once service provided by the Department for Work and Pensions. The Fund will access the database a minimum of three times each week to check for any updates relating to Cheshire members. If any are identified, the Fund will immediately suspend the pension and begin the bereavement process.
14. Pensioners receive payslips from Transactional Services, the Fund's payroll provider, typically three times per year; March, April and May, covering the period when benefits are uprated for inflation. Through the rest of the year members will only receive a payslip if their pension changes by more than £1 from the previous month.
15. Pensioner members also receive a P60 (an end of year certificate showing the pension paid and tax deducted during the tax year) in May each year.
16. If a payslip or P60 are returned as undeliverable the pension will be suspended while we investigate as this can also be an indication that a member is deceased.
17. Every two years the Fund also participates in the National Fraud Initiative project which compares information between public bodies in order to identify any discrepancies. Again, where any death cases are identified the pension is immediately suspended.

**OVERPAYMENT POLICY**  
**(THE POLICY)**

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## Distribution

Name	Organisation/Role	Method
All staff	CPF	Email
Scheme employers	n/a	Email
Scheme members	n/a	CPF website

## Document Information

<b>Location</b>	[ie file location]
<b>Author</b>	Chris Bujac / Heidi Catherall
<b>Owner</b>	Operations Manager
<b>Sponsor</b>	Head of Pension Fund
<b>Status</b>	[Draft/Approved]
<b>Effective date</b>	8 September 2023
<b>Review cycle</b>	Every 3 years
<b>Next review date</b>	September 2026
<b>Information classification</b>	Public
<b>Associated policy</b>	N/a
<b>Associated documents (procedures, guidelines/standards)</b>	Overpayment of pension procedure (April 2022) (internal) Overpayment of pension – legal overview (April 2022) (internal)
<b>Legislation/regulation/ Codes of Practice</b>	N/a

## Document Version History

Version	Date	Author	Status	Description of change
1.0	8/9/23	CB/HC	Draft	New policy to replace existing overpayment of pension policy

## 1. Effective date and review

- 1.1 This policy has effect from Effective date specified in the Document Information summary set out on page 3, and any amendment to this policy shall have effect from the relevant date set out in the Document Version History summary set out on page 3.
- 1.2 This policy will be reviewed in accordance with the Review cycle set out on page 3.

## 2. Definitions

- 2.1 In this policy, the following expressions have the following meanings:

<b>“Administering Authority”</b>	Cheshire West and Chester Borough Council as the administering authority of the Fund;
<b>“Fund”</b>	Cheshire Pension Fund;
<b>“Regulations”</b>	the Local Government Pension Scheme Regulations 2013.

## 3. Background

- 3.1 This is the Administering Authority’s Overpayment Policy for the Fund.
- 3.2 An overpayment is a payment made to which there was not entitlement under the Regulations. Overpayments can occur for a variety of reasons. Although the Administering Authority has procedures, systems and controls in place to avoid overpayments, on occasions overpayments do arise and it is important that the Administering Authority has a clear policy on how overpayments from the Fund are managed once they are identified.
- 3.3 The Administering Authority also recognises the need to take a pro-active approach to identifying and mitigating against potential fraudulent activity and overpayments.

## 4. Purpose and Objectives

- 4.1 The policy objectives aim to ensure that the Administering Authority:
  - 4.1.1 has robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance;
  - 4.1.2 manages the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund’s stakeholders, particularly the scheme members and employers;
  - 4.1.3 ensures benefits are paid to the right people at the right time in the right amount;
  - 4.1.4 identifies errors as soon as possible;
  - 4.1.5 rectifies overpayments expeditiously with the cooperation of the individual;
  - 4.1.6 encourages individuals to take an active role in checking payslips/payments for obvious errors; and

- 4.1.7 avoids the Internal Dispute Resolution Procedure (IDRP) and Pension Ombudsman complaints, where possible, by managing the process effectively.
- 4.2 The policy is designed to provide assurance to the Fund's stakeholders that:
- 4.2.1 all overpayments are treated in a fair and equitable manner;
- 4.2.2 the Administering Authority will seek to recover overpayments that have occurred whilst acknowledging that there may be legal reasons and/or other circumstances which mean that an overpayment may not, in practice, be able to be recovered (in whole or in part); and
- 4.2.3 processes are in place to prevent and investigate potential fraudulent activity.

## 5. Applicability and Scope

- 5.1 This policy applies to all overpayments from the Fund, including payments to:
- 5.1.1 members and former members, which in this policy includes survivor and pension credit members of the Fund who have received one or more payments from that Fund;
- 5.1.2 other beneficiaries of Fund members where those beneficiaries have received one or more payments from that Fund; and
- 5.1.3 executors of the estates of the above.

## 6. Policy Statement

- 6.1 The Administering Authority will pay benefits at the correct level and will, as a general rule, seek to recover all overpayments. In certain limited circumstances, overpayments may be written-off where the Administering Authority considers that it would be uneconomic or otherwise unreasonable to seek recovery.

## 7. Policy Principles

### 7.1 Future payments

In all cases, upon discovery of an overpayment, the Fund will immediately implement the correct level of pension from the next pay date.

### 7.2 Recovery of overpayments – general principles

The Authority will seek to recover overpayments in full, subject to the following:

- **Administrative error** – in cases of an individual administration error by the Authority, overpayments of less than £50 will not be recovered. Where there has been a bulk error that affects several individuals, overpayments of less than £50 may be recovered;
- **Payment made after payee's death** – payments made in the month of the payee's death will not be recovered regardless of amount. Overpayments made later will be written-off if they total £250 or less (when aggregated with payment made in the month of death).

- **Payments made more than six years before discovery** – generally, only overpayments made in the six years before discovery will be recovered and payments made more than six years before discovery will be written-off;
- **Uneconomic or unlikely recovery** – the overpayment may be written-off, in whole or in part, where it appears likely that the cost of recovery will outweigh the amount of overpayment that would be recovered, or where legal advice has been received which states that it would be unlikely that a court would require the overpayment to be repaid.

### 7.3 Recovery process

The Authority will seek to recover overpayments by requesting repayment in the first instance. If the payee is unwilling or unable to repay the overpayment, the Authority may take such action as it considers appropriate in all the circumstances, including agreeing repayment by instalments or taking debt recovery action.

If the payee is entitled to receive further pension payments, the Authority may choose to recoup the overpayment in instalments by making deductions from future payments. Any deductions will be at such rate and over such period as the Authority considers reasonable and in each case the Authority will:

- enquire as to the payee's financial position when proposing an adjustment to future payments;
- give the payee the opportunity to make representations about the proposed level of adjustment; and
- propose recouping over a timeframe no shorter than the length of time over which the overpayments occurred.

The Authority will not make any deductions from future payments if, and for so long as, the recovery of the overpayment is in dispute.

If the overpayment is to be repaid over a period of time, the Authority may agree to take a charge or other security if it considers it appropriate in the circumstances.

### 7.4 Recovery after payee's death

If the payee has died, any overpayment due will be recovered from the payee's estate. The Authority will not off-set the overpayment against any death grant, unless it is payable to the estate, or against any survivor's pension.

### 7.5 Write-offs

Whether an overpayment should be written-off (either in whole or in part) may be decided by the following officers:

- up to £250 – by a Senior Pension Stakeholder Officer;
- £250 to £2,500 – by the Pensions Operations Manager
- £2,500 to £10,000 – by the Head of the Pension Fund; and
- above £10,000 – By the Head of the Pension Fund and the Chief Operating Officer.

Any decision to write-off will be made on the individual facts of the case, taking into account:

- the size of the overpayment;



- the length for which the overpayment has persisted;
- the reason the overpayment occurred and the extent to which the payee might reasonably have been expected to be aware of the overpayment;
- the age, health, and financial situation of the payee;
- the likely cost of attempting further recovery;
- the availability of / and contact details for next of kin to recover the overpayment from; and
- any legal advice the Authority has received.

Generally, where the overpayment is less than £250, it is likely that taking recovery action will be uneconomic.

#### 7.6 **Cost of written-off overpayments**

Any overpayments that are written-off will be treated as a liability against the relevant scheme member's former employer.

#### 7.7 **Employer fault errors**

Where the overpayment is due to the fault of an employer, the employer may be invoiced an administration fee as detailed in the Pension Administration Strategy. Such fee may be waived at the discretion of the Pensions Operations Manager.

#### 7.8 **Actions to mitigate the impact of overpayments**

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

#### 7.9 **Audit trail**

A full audit trail will be maintained for all overpayments.

#### 7.10 **Fraud and prevention**

For any overpayment cases, if fraud is suspected, the case will be referred to the Authority's Fraud Manager immediately.

The Authority will minimise the risk of overpayments occurring and the occurrence of fraudulent activity by:

- participating in the National Fraud Initiative, conducted every two years, which compares pensioners and deferred pensioners with the Department for Work and Pensions (DWP) database of deceased members to identify matches for investigation;
- participating in the National LGPS databased, a data sharing project to prevent overpayment of death grants which feeds into the DWP "Tell Us Once" service provided by some registry offices, to facilitate quicker access to information about the death of pensioner members;
- undertake monthly mortality tracing of all UK pensioner members;
- undertaking weekly checks of the pensioner payroll against the Disclosure of Death registration Information (DDRI) as published by the General Register Office;
- conducting overseas life existence checks every year;

- investigating any returned pensioner payslips and pension payments returned by banks and building societies;
- running a monthly report on the pension administration system to identify children approaching age 18 to ascertain whether the entitlement to a child's pension ceases or continues due to ongoing full-time education;
- undertaking an annual exercise to review child pensions for those aged 18 to 23 in continuous full-time education requiring proof of attendance at a school/college/university.

## **8. Roles and Responsibilities**

- 8.1 The Fund's Head of Pensions will be responsible for ensuring that the Fund deals with overpayments in accordance with this policy and that staff receive appropriate training.
- 8.2 The Pensions Operations Manager is responsible for ensuring that this policy is reviewed in accordance with the specified review cycle.