



APPENDIX D

Leicestershire Local Government Pension Scheme

Over and Underpayment of Pension Policy

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Leicestershire County Council as the Administering Authority of the Leicestershire Pension Fund is responsible for setting policies, strategies and statements to ensure the Fund's obligations to its members, employees and stakeholders are met. These are available [here](#).

This draft policy has been prepared for presentation to the Local Pension Board on 8th November 2021 and for subsequent approval by the Pension Committee on 21st January 2022.

Introduction

This is the Over and Underpayment of Pension Policy for Leicestershire Pension Fund (“The Fund”), which is managed by Leicestershire County Council.

Over and underpayments of pension can occur for a variety of reasons. It is important that the Fund has a clear policy on how incorrect payments of pension are managed once they are identified.

The Fund recognises the need to take a pro-active approach to identifying potentially fraudulent activity and incorrect payments.

2 Policy Objectives

The policy objectives aim to ensure the Fund:

- 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
- Manage 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
- Ensures benefits are paid to, and income collected from, the right people at the right time in the right amount
- Identifies errors as soon as possible
- Rectifies incorrect payments with the cooperation of the individual
- Avoids the Internal Dispute Resolution Procedure (IDRP), where possible, by managing the process effectively

3 Purpose of the policy

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

- All incorrect payments are treated in a fair and equitable manner
- The Fund seeks to recover overpayments that have occurred, but, acknowledges 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)

- Has steps in place to prevent and investigate potentially fraudulent activity

Effective date and reviews

This policy was first presented to the Local Pensions Board on 8 November 2021 and approved by the Pensions Committee on *{insert date}*. The policy will be reviewed by officers every two years and will be presented to the Board and Committee if changes are required.

5 Scope

The policy applies to;

- All 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
- Executors of the Estates of deceased Leicestershire Pension Fund members
- Beneficiaries of Leicestershire Pension Fund members where those beneficiaries have received one or more payments from that Fund; and
- Administrators of the scheme

6 Managing overpayments of pension

The Fund will generally seek to recover any overpayments wherever possible, unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part). This could include the age, health or death of a pensioner. In essence each case will be considered on it's own merits.

The most common type of overpayments occur following a late notification of the death of a pensioner. Such a notification does not always happen immediately and as such it is not always possible to stop payment of the pension after a point in the payroll month and so an overpayment can occur. It can also occur if a change in a child's circumstances is not reported and they are no longer eligible to receive a pension.

Should such an overpayment occur, and there are on-going monies to be paid (for example a spouse's pension or a death grant), then the Fund will generally seek to recover any overpayments, unless in the reasonable opinion of the Fund there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered, in whole or in part.

The overpayment may be recovered by delaying the start of the spouse's pension (when applicable), or being deducted from the death grant, if there is no ongoing pension.

Should an overpayment of pension occur, and there are no on-going monies to be paid, the Fund will generally seek to recover overpayments that are greater than £200 in value unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part). This will be achieved by raising an invoice to recover the overpayment. An overpayment with the value of less than £200 has been deemed by the Fund as uneconomical or unreasonable to pursue. In such circumstances, The Fund's approach will be that the sum is written off and is treated as a liability against the scheme member's former employer.

If there is an ongoing pension, the Pensions Section will send a letter to the member setting out the overpayment and proposed terms of recovery. The amount will be recovered from the pension as this allows for the appropriate adjustment for tax. The pension will also be reduced to the correct level after the course of action to taken has been agreed.

The Fund will generally seek to only recover overpayments that have been discovered within the last six years, in accordance with the Limitation Act 1980.

The Fund will allow a pension overpayment to be recovered over the same amount of time as the overpayment occurred. For example, if overpayments were made for a 3 month period, the recovery period to repay the overpayment will be 3 months. However, The Fund can, at its discretion, allow repayment over a longer, or shorter, period dependent on the individual's circumstances.

In the event of a larger overpayment then the following process applies:

If there is an ongoing pension, Officers will contact the pensioner and advise that the Fund will seek to recover the overpayment. Every effort is made to speak to the pensioner first, before a written notification is sent. Where possible, a repayment plan will be agreed. This would typically involve repayment by installments taken directly from the revised pension amount.

In the event that agreement cannot be reached, Officers may propose a partial repayment and write off a proportion of the overpayment.

If there is no ongoing pension, after consideration of the case, the amount may be written off.

<u>Total Value of Overpayment</u>	<u>Authority to write off Overpayment</u>
£200-£2,000	Pensions Project Manager
£2,000-£5,000	Pensions Manager
£5,000-£10,000	Assistant Director of Strategic Finance and Property

For amounts in excess of £10,000, Officers will:

Seek approval to write the amount off by writing to the Employer and the LGPS Senior Officer with a recommendation to write the amount off, detailing the amount and the circumstances of the case; Inform the Chairs of the both the Committee and Board for awareness and include in the next quarterly Pension Board administration report.

If the third party cannot make the repayment, then we would not pursue this further and advise the employer that we have been unable to recoup the money.

7 Prevention

The Fund has in place processes to minimise the risk of overpayments occurring.

The National Fraud Initiative is conducted every two years. It compares files of pensioners with the Department for Work and Pensions database of the deceased and highlights matches for investigation. The Fund actively participates in this initiative.

The Fund sends out annual life certificates to overseas pensioners and children over the age of 18 receiving a pension. This is to ensure the pensions are still being paid correctly and to reduce the likelihood of fraudulent activity.

The Fund investigates any returned pensioner payslips and pension payments returned by banks and building societies to ensure the welfare of the scheme member and to protect payment of The Fund's money.

The Fund participates in the government 'Tell Us Once' service, which allows participants to report a death to most government organisations in one go. In addition, a Tracing Bureau is contracted to provide mortality screening for UK based pensioners.

8 Underpayments

The Fund will make good any underpayments and pay arrears of pension benefits plus interest where applicable.

9 Officers to Contact

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