



LOCAL PENSION BOARD – 2 AUGUST 2023

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION OVERPAYMENTS REPORT

Purpose of the Report

1. The purpose of this report is inform the Local Pension Board how Officers seek to minimise overpayments of pensions and the steps in place regarding recovery of overpayments that occur.

Background

2. Overpayments of pensions normally due to:
 - (i) Administration issues;
 - (ii) Late notifications of deaths;
3. Officers have processes in place to identify and recover these overpayments wherever possible. A policy document in this topic was approved by the Pension Committee on 21st January 2022 and is due for review every two years. Minor changes to the policy have been drafted and a revised version can be found in the appendix. Officers will take this report to the Local Pension Committee as part of the annual review of all Fund policies.

Administration Issues

4. Whilst it must be stressed that administration issues are rare, there are generally two types of errors that can occur:

Implementation of pension benefits

5. Although the calculation of pension benefits is an automated process and administration records are updated following the processing of a retirement, the transfer of data from the administration record to payroll is manually carried out, and whilst figures are checked carefully, on rare occasions errors can occur and incorrect figures may be entered. The process will be automated later this

year once scheduled improvements to the payroll system are installed, which is expected to greatly reduce the need for manual input.

Bulk update of pension increases

6. The processing of the annual pension increase award in April can result in minor inaccuracies. This generally affects a small number of records which can make such errors difficult to spot when carrying out checks.

Identification of cases

7. Officers investigate cases identified on a monthly report where the pension held on the administration system differs by more than £12 per year from the amount held on payroll. These cases are rectified and records are updated.

Late notifications of deaths

8. When a pensioner dies, it is important for the Pension Section to be notified promptly if overpayments are to be kept to a minimum. Death notifications are received from numerous sources:

Direct contact from family members

9. Family members contact the pension section directly, usually by calling the Pensions Helpdesk. The death certificate is requested, payroll are notified and instructed to cease payment of the pension.

Tell Us Once

10. The Fund participates in the government 'Tell Us Once' service, which allows participants to report a death, and when the deceased is a scheme member, that information is then forwarded to the fund. Payroll are notified and instructed to cease payment of the pension.

Faraday Tracing Agency

11. The fund contracts a tracing agency to match reports of fund pensioners to their database and identify possible cases where they may have deceased. Matches are split between 'excellent' and 'good' based on the amount of matching data.
12. An 'excellent' match means all data held on the fund's report matches the Faraday report. In these circumstances, officers can be confident that it is a scheme member that has died and notify payroll of the death and instructed to cease payment of the pension.
13. A 'good' match requires further investigation as it generally means there is a mismatch relating to the last known address. Pension Officers then make their own investigations based on this information and either suspend or stop pensions based on their findings.

14. Faraday supply reports monthly for investigation.

15. There are other ways that officers are notified of possible deaths:

Returned Bank Credits

16. Shortly after monthly pensions are paid, banks will return attempted payments where accounts have been closed following the death of a pensioner. Officers then make their own investigations and instruct payroll to either suspend or cease payment of the pension based on their findings.

National Fraud Initiative (NFI) Exercise

17. The fund participates in the government's National Fraud Initiative which is conducted every two years. An extract of data is submitted that contains details of payroll payments at the end of September for comparison with the Department for Work and Pensions' database and highlights matches to their deceased records for investigation. Pension Officers liaise with Leicestershire County Council's Audit Section who manage the wider NFI exercise on behalf of the Council.

18. The purpose of the exercise is to identify occurrences where a scheme member has died but the pension is still being paid. Whilst most of the matches are of high quality, due to the sensitive nature of the data officers treat each case with caution. A small number of matches may simply be the result of poor record keeping, keying input errors, oversight, misunderstandings etc. Each case is thoroughly checked before any action is taken.

19. The fund also reports back its findings to NFI to allow them to measure the number of cases where officers were previously unaware a scheme member had died and also the savings made from the exercise, such as, where the overpayment of pension has stopped as a result of information provided in the report.

20. Although the vast majority of cases reported are already known to Officers, there are always a small number that were not known.

21. Pension Officers provide Audit with regular updates on cases, including details of how cases were resolved, for example, whether overpayments were recovered or written off.

22. The next NFI report will be based on active pension payroll records as of 30th September 2024.

NFI Interim Reports

23. The fund also participates in an additional service provided by NFI, whereby **six-monthly reports** are provided in addition to the standard report which is

issued once every two years. This is used as a back-up, to pick up any cases that may have been missed by other methods. As with the standard NFI report, officers are aware of the vast majority of cases identified. Any new findings need to be treated with caution and investigated thoroughly.

Overseas Life Certificates

24. Officers send out annual life certificates to pensioners living overseas. These are less likely to be picked up through the tracing agency and when a certificate is not returned, action is taken which leads to pensions being suspended and ultimately stopped if officers are satisfied that the pensioner has died.

25. Where a certificate is returned, the signature is compared to previously completed forms to ensure they match. Where there is doubt, the pensioner is contacted for a further check.

Investigation of Deaths

26. Often, information received from these sources is not clear cut and further investigation is required so that Officers can be satisfied that it is the Fund's pensioner that has died and not someone else with the same name.

27. To establish this, some or all of the following steps are followed, to either make contact with the pensioner or a family member to confirm the situation.

- A letter is sent to the last known address (and if a notification refers to a different address a letter is sent there as well) asking the member to declare that they have an entitlement to a pension from Leicestershire Pension Fund.
- If no response is received the pension is suspended (but not stopped).
- If no response is received the tracing agency is contacted to try and obtain the last known address, to establish if there is a different address to write to.
- The pensioner's bank is written to and asked if they can forward the letter to the last known address.
- Online obituaries can be searched for contact details or to establish further evidence that it is our pensioner who has died.
- Obtain a death certificate via www.gro.gov.uk , which may also provide a next of kin to contact. As an alternative option Audit have now offered to help obtain certificates through NAFN (National Anti-Fraud Network).

- A proposal for Adult Social Care to forward requests for information to a family member of deceased pensioners, who were in receipt of social care services from LCC, is being investigated and may prove to another helpful source of information.

28. If all options are exhausted, then officers will need to decide whether to leave the pensioner's record on as suspended or treat as deceased. Without a death certificate this is not an exact science, but if the pension has been suspended for a couple of months and officers are reasonably satisfied the person has died, the record will be updated accordingly.

Recommendation

29. It is recommended that the Board notes all areas of the report.

Equality and Human Rights Implications

30. Nonspecific

Appendix

Over and Underpayment of Pension Policy, updated August 2023

Background Papers

Pension Fund Policy Report – Local Pension Committee, 21 January 2022
<http://cexmodgov01/ieListDocuments.aspx?CId=740&MId=6757&Ver=4>

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