

# ***Overpayment of Pension Policy***

## ***2015***

## Contents

	Page
Introduction	3
Policy Objectives	3
Purpose of the policy	4
Effective date	4
Review	4
Scope	4
Managing overpayments of pension on the death of a Scheme member	4
Managing overpayments of pension on incorrect information supplied by the employer	5
Managing overpayments of pension on incorrect rate applied by the Fund and the member can reasonably be aware of the overpayment	5
Managing overpayments of pension on incorrect rate applied by the Fund and the member cannot have known of the overpayment	6
Recovery period	7
Length of time to recover overpayment	7
Scheme member is unable to return overpayment	7
Scheme member refuses to engage in any correspondence with regards to overpayment	7
Monitoring repayments	7
Authority to write off overpayments	8
Reporting to the HMRC & effects on the Fund and individual	8
Prevention	9

## 1. Introduction

1.1 This is the Overpayment of Pension Policy for Cambridgeshire Pension Fund, which is managed by Cambridgeshire County Council (the Administering Authority). The administration of the Fund is carried out by the LGSS Pensions Service which incorporates administration for both the Cambridgeshire Pension Fund and Northamptonshire Pension Fund.

Overpayments of pension can occur for a variety of reasons. It is important that the Fund has a clear policy on how overpayments of pension are managed once they are identified.

Cambridgeshire Pension Fund recognises the need to take a pro-active approach to identifying potential fraudulent activity and overpayments.

## 2. Policy Objectives

2.1 The Policy objectives aim to ensure the Fund:

- Provides a high quality, friendly and informative administration service to the Funds' stakeholders;
- Administers the Fund in a cost effective and efficient manner utilising technology;
- Ensures it and it's Stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund;
- Puts in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary;
- Ensures benefits are paid to, and income collected from, the right people at the right time in the right amount;
- Maintains accurate records and ensure data is protected and has authorised use only;
- Identifies errors as soon as possible;
- Rectifies overpayments with the cooperation of the individual;
- Encourages individuals to take an active role in checking payslips/payments for obvious errors; and
- Avoids the Internal Dispute Resolution Procedure (IDRP), where possible, by managing the process effectively.

## 3. Purpose of the policy

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

- all overpayments are treated in a fair and equitable manner;
- the Fund seeks to recover overpayments that have occurred;
- and has steps in place to prevent and also investigate potential fraudulent activity.
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## 4. Effective date

4.1 This policy was approved by the Pensions Committee on XX and effective from XX.

## 5. Review

5.1 This policy will be reviewed annually and updated as necessary. Updates will be approved by the Pensions Committee and published as a public document following approval.

## 6. Scope

6.1 The policy applies to:

- All members of the Cambridgeshire Pension Fund in receipt of a pension;
- Executors of the Estates of Cambridgeshire Pension Fund members
- Administrators of the scheme; and
- The Pension Fund Committee.

## 7. Managing overpayments of pension on the death of a scheme member

7.1 Understandably, notification of a death of a pensioner member of the scheme 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.

7.2 Should an overpayment of pension occur as a result of the death of a scheme member, the Fund will seek recover overpayments that are greater than £250.00 in value. A value of £249.99 or less in the instance of the death of a scheme member has been deemed uneconomical to pursue. The sum written off is treated as a liability against the scheme member's former employer.

7.3 All correspondence regarding an overpayment will be handled sensitively in the initial stages due to the circumstances surrounding how the overpayment has occurred.

## 8. Managing overpayments of pension following incorrect information supplied by the employer in respect of the scheme member

8.1 Should an overpayment of pension occur as a result of inaccurate information provided by the scheme member's employer on retirement the Fund will seek to recover monies through the scheme member's ongoing pension, this allows for the appropriate adjustment for tax. The pension will be reduced to the correct level for the next monthly pension to avoid further overpayment; the member will be notified in writing.

## 9. Managing overpayments of pension as a result of the incorrect rate of pension paid by the Fund and the member can be said to be reasonably be aware of the overpayment

9.1 There are a number of reasons why a pension could be paid at an incorrect higher rate as detailed in the table below;

	Type of overpayment	How overpayment has occurred
1	Administration error upon creation of payroll record	Incorrect (overstated) rate of pension inputted onto payroll record but member informed in writing of the correct rate of pension to be paid.
2	Re-employment where abatement affects rate of pension due	Re-employment not notified and within the terms of the Administering Authority policy on the exercise of their discretion relating to abatement, the member's annual pension should have been reduced or suspended due to the level of earnings in the new employment. Identified through NFI exercise or other means.
3	Entitlement to pension ceasing	Non notification that a child's pension is no longer payable as the child aged 18 or above is no longer in full time education or vocational training.
4	Entitlement to current rate of pension ceasing	A Pension Sharing Order or Earmarking Order being received after the implementation date meaning that the pension has been overpaid since that implementation date.
5	Failure to action an alteration to the payroll record /reduction in pension	Failing to implement the change from the higher short term dependents pension to the lower long term rate.
6	Failure to action an alteration to the payroll record/reduction in pension	Failing to implement a reduction to a pension as a result of National Insurance Modification (at State Pension Age for those members who both left the LGPS before 1 April 1998 <b>and</b> had membership before 1 April 1980).

9.2 If the Scheme member has been notified of the correct rate of pension in writing, it can be said that the member can reasonably be aware that they are being over paid as the scheme member has been notified of the correct rate in writing.

9.3 The Fund will therefore seek to recover the total value of the overpayment, with this being recovered from the Scheme member's ongoing pension. The pension will also be reduced to the correct level for the next monthly pension payment. The member will be notified in writing of the error and the course of action to be taken.. Where there is no ongoing pension from which to deduct the overpaid amount, an invoice will be arranged to recover the overpayment.

## 10. Managing overpayments of pension following an incorrect rate of pension being paid by the Fund and it can be said that the member cannot have known of the overpayment

10.1 The table below illustrates how an overpayment of a member's pension can occur without the member being aware;

	Type of overpayment	How overpayment has occurred
1	Administration error upon calculation and notification of benefit entitlement (includes dependants' pensions).	Incorrect (overstated) rate of pension inputted onto payroll record and member informed in writing of the, incorrect, rate of pension to be paid.
2	Incorrect level of Guaranteed Minimum Pension (GMP) being paid	New information from HMRC leads to a revised rate of GMP to be used which, due to the different way cost of living increases are applied to GMP and the excess over GMP, means that, overall, a lower level of pensions increase should have been paid.
3	Pensions Increase	Pensions Increase inaccurately applied to the elements of a pension in payment.

10.2 In these circumstances the Fund will seek to recover the total value of the overpayment through the Scheme member's ongoing pension. The pension will be reduced to the correct level for the next monthly pension to avoid further overpayment and the member will be notified in writing a minimum of 2 weeks prior to this.



## 11. Recovery period

11.1 The Fund will seek to recover overpayments that have occurred within the last 6 tax years plus the current tax year or all of the overpayment period if shorter. Therefore overpayments that have occurred outside of this period will have the appropriate proportion written off.

## 12. Length of time to recover overpayment

12.1 The Fund will allow a pension overpayment to be recovered over the same amount of time as the overpayment occurred. Upon challenge the Fund can allow this to be extended by a further 50% of the time period in which the overpayment occurred.

## 13. Scheme member is unable to return overpayment

13.1 In cases where a Scheme member is unable to return the overpayment officers of the Fund will enter into negotiations with the scheme member, where appropriate the Fund will seek expert legal advice. This approach will reduce the number of Internal Disputes and referral to the Pensions Ombudsman. For any cases that do reach the Pensions Ombudsman, Cambridgeshire Pension Fund would have demonstrated engagement and negotiation with the individual.

## 14. Scheme member refuses to engage in any correspondence with regards to overpayment

14.1 In cases where the Scheme member refuses to engage in any correspondence the Fund will suspend the pension after three written attempts of contact within three months. This should prompt the member to get in touch and allow for discussions to take place, where appropriate the Fund will seek expert legal advice.

## 15. Monitoring repayments

15.1 In cases where recovery is not being made through the payroll and an invoice has been raised, the responsibility for chasing the payment rests with the LGSS Debt Recovery Team. If a final reminder is issued, officers are notified and a decision is made by the Deputy Head of Pensions as to whether to take legal action, taking into consideration the amount and circumstances against the perusal of legal action.

## 16. Authority to write off overpayments

16.1 In line with the County Council's Scheme of Delegation, the Fund will apply the following levels of authority when writing off overpayments –

Total value of overpayment*/**	Authority to write off overpayment
No more than £250.00 on death of a pensioner	Automatic write off
Up to no more than - £3,000.00 (includes overpayments on the death of a pensioner that are greater than £250.01 up to no more than £3,000.00)	Deputy Head of Pensions (in the absence of the Deputy Head of Pensions authority will move to the Chief Finance Officer)
£3,000.01 to no more than £10,000.00	Chief Finance Officer
£10,000.01 to no more than £25,000.00	Chief Finance Officer in consultation with the Chairman/woman of the Pension Fund Committee
£25,000.01+	Pension Fund Committee
*The value of overpayment occurring within the last 6 full tax years plus current tax year	
** Subject to a full evidence based report produced by Officers of the Fund	

## 17. Reporting to the HMRC and effects on the Fund and individual

17.1 The Finance Act 2004 sets out a list of the payments which a registered pension scheme is authorised to make to members. Payments which do not fall within the list will become unauthorised payments and could result in three tax charges applying: 1) an authorised payments charge on the recipient of the payment; 2) an unauthorised payments surcharge on that recipient; and 3) a scheme sanction charge on the scheme.

17.2 Cambridgeshire Pension Fund recognises that for some overpayments engagement with Her Majesty's Revenue and Customs will be required and these will be treated on a case by case basis.



## 18. Prevention

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

18.2 The Tell Us Once service has been adopted whereby deaths are notified through a central system accessible by the Fund. This increases the notification of the death of scheme members and therefore minimises potential overpayments.

18.3 The National Fraud Initiative is conducted by the Audit Commission every two years; it compares files of pensioners and deferred members with the Department for Work and Pensions database of the deceased and highlights matches for investigation. Cambridgeshire Pension Fund actively participates in this initiative.

18.4 Cambridgeshire Pension Fund includes reminders in its correspondence that the Fund must be advised of changes in circumstances or the death of a scheme member.. The Fund also investigates any returned pensioner payslips and pension payments returned by banks and building societies to ensure that the welfare of the scheme member and to protect payment of the Fund's money.

18.5 Fund officers have a robust system in place for identifying changes to the payroll that need to be processed for a particular payroll month. The process incorporates payroll deadlines and ensures changes are made in a correct timely manner. This would be in circumstances such as a change from a short term dependant's pension to a long term pension.