

West Northamptonshire Council

Pension Fund Committee

29 March 2023

Mark Whitby – Head of Pensions

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| Report Title | Northamptonshire Pension Fund – Overpayment of Pension Entitlement Policy |
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Contributors/Checkers/Approvers

| | | |
|-------------------------|--|-----------|
| MO | Sarah Hall on behalf of Catherine Whitehead | 21/3/2023 |
| S151 | James Smith on behalf of Martin Henry | 7/3/2023 |
| Head of Pensions | Mark Whitby | 23/2/2023 |

List of Appendices

Appendix A – Proposed Overpayment of Pension Entitlement Policy 2023 clean

Appendix B – Proposed Overpayment of Pension Entitlement Policy 2023 tracked

1. Purpose of Report

1.1. To present the Overpayment of Pension Entitlement Policy to the Pension Fund Committee.

2. Executive Summary

2.1 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 entitlements are managed once they are identified.

2.2 The Policy covers types of overpayments and the approach the Fund will take when overpayments occur. This review has also taken into account the management of lump sum overpayments in addition to pension overpayments in previous versions.

2.3 Northamptonshire Pension Fund recognises the need to take a pro-active approach to identifying potentially fraudulent activity and overpayments.

3. Recommendations

3.1 The Pension Fund Committee is asked to approve the Overpayment of Pension Entitlement Policy.

4. Report Background

- 4.1 It is important for the Fund to have a policy on how overpayments of pension and lump sums are managed once identified. Such a policy will provide assurance to the Fund's stakeholders that all overpayments are treated in a fair and equitable manner and that the Fund seeks to recover overpayments and has in place steps to prevent and also investigate potentially fraudulent activity.
- 4.2 An Overpayment of Pension Policy also strengthens the Fund's position should a complaint be made using the Internal Dispute Resolution Procedure (IDRP) which if exhausted without resolution, can be referred by the scheme member or their representative to the Pensions Ombudsman.
- 4.3 An Overpayment of Pensions Policy was initially agreed by the Pension Fund Committee in October 2015, with subsequent reviews in June 2018 and March 2019. It is now deemed an appropriate time to review this policy to ensure it remains fit for purpose.

5. Issues and Choices

5.1 Proposed changes to the existing Policy

- 5.1.1 As a result of the review, the following changes are being proposed –

| Section | Proposed change |
|---|--|
| Title of Policy | - Overpayment of Pension Entitlement Policy 2023, to encompass lump sum overpayments |
| Throughout | - Removal of LGSS |
| 8 - Managing overpayments of pension entitlement following incorrect information supplied by the employer in respect of the scheme member | - To provide clarity on the process in place for recovering lump sum overpayments. |
| 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 aware of the overpayment. | - To provide clarity on the process in place for recovering lump sum overpayments. - To extend the table in 9.1 on types of overpayments to include – 'Administration error upon calculation/payment of pension scheme lump sum'. |
| 10 - Managing overpayments of pension following an incorrect rate of pension entitlement being paid by the Fund and it can be said that the member cannot have known of the overpayment | - To provide clarity on the process in place for recovering lump sum overpayments. - To include 'Pension Credit members' as an example of type of overpayment in table 10.1. - To extend the table in 10.1 on types of overpayments to include – 'Administration error upon calculation/payment of pension scheme lump sum'. |

5.2 Local Pension Board review

- 5.2.1 The Policy was reviewed by the Pension Fund Board on 24 January 2023 and was deemed fit for purpose.
- 5.2.2 Two subsequent amendments have been made to provide some additional clarity on the payment period which can be reclaimed and associated dates located in Appendix 1 of the Policy.

6 Implications (including financial implications)

6.1 Resources and Financial

6.1.1 There are no resources or financial implications arising from the proposals.

6.2 Legal

6.2.1 There are no legal implications arising from the proposals.

6.3 Risk

6.3.1 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below -

| Risk | Residual risk rating |
|---|----------------------|
| Those charged with governance are unable to fulfil their responsibilities effectively. | Green |
| Risk of fraud and error | Green |
| Incorrect/poor quality data held on the Pension Administration and Payroll platforms or delays with receiving information leading to incorrect information/delayed provision of information to members and stakeholders | Green |
| Incorrect production of accounts, notices, publications and management reports leading to possible financial and reputational damage. | Green |
| Failure to understand and monitor risk compliance. | Green |
| Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed | Green |

6.3.2 The executive summary can be found on the Fund's website at the following link:
[Northamptonshire Risk Register](#)

6.4 Relevant Pension Fund Objectives

6.4.1 The following objectives as per the Business Plan have been considered in this report -

- Have 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.
- Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- Continually monitor and measure clearly articulated objectives through business planning
- Deliver consistent plain English communications to stakeholders.
- Seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.
- Ensure cash flows in to and out of the Fund are timely and of the correct amount.

6.5 Consultation

6.5.1 Not applicable.