

Pensions Audit Sub Committee

2.00pm, Tuesday, 27 September 2022

Irrecoverable overpayment of pensions – decisions made under delegated authority

1. Recommendations

The Pensions Audit Sub Committee (Committee) is requested to:

- 1.1 Note that the total value of pension overpayments written off between 1 September 2021 and 31 August 2022 is £25,250.20 and
- 1.2 Highlight any points it would like to raise at the Pensions Committee on 28 September 2022.

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2. Executive Summary

- 2.1 This report advises Pensions Committee of pension overpayments, during the period 1 September 2021 to 31 August 2022, which have been deemed irrecoverable by the Chief Executive Officer, Lothian Pension Fund.

3. Background

- 3.1 Delegated authority has been granted to the Chief Executive Officer, Lothian Pension Fund, in certain circumstances, to write-off pension overpayments up to £3,000. Any overpayments above this limit require approval of the Pensions Committee.

4. Main Report

- 4.1 Pension regulations determine the calculation and payment of pension benefits to scheme members. During the process of administration, overpayments of pension may occur upon the death of a pensioner, where pensioners return to work when receiving a pension (this only affects people who retired on the grounds of efficiency and received compensatory added years when they retired) or where a mistake occurs.
- 4.2 Attempts are made to recover overpayments over £250. Occasionally, however, it may not be in the best interest of the Fund to seek recovery of an overpaid pension. Depending on the circumstances of the case, in line with delegated functions, certain officers in Lothian Pension Fund may write off the whole or part of an overpayment up to £3,000. The most likely circumstances would be if recovery would cause undue hardship to the member's family, if there are insufficient funds to repay the overpayment or it is uneconomical to pursue. Details are:
- Between 1 September 2021 and 31 August 2022, 4 pension overpayment write-offs totalled £4,398.46.
 - Mortality tracing on pensioners has increased the number of suspended pensions. In cases where reasonable enquires to trace next of kin has been exhausted and there is an overpayment that is to be written off, LPF supplements the mortality tracing with an entry on Scotland's People. To date there has been 17 pension overpayments write-offs for suspended

pension deaths since 2012 and totalling £13,822.20. The exercise to reduce suspended pensions continues.

- Between 1 September 2021 and 31 August 2022, 5 pensioner members were overpaid pension and lump sum retiring allowance totalling £7,029.54. The overpayments occurred when revised pay information was received from Scheme Employers due to back-dated pay awards. The 5 pensioner members held a Certificate of Pension Protection because their pensionable pay rate had been reduced whilst in employment. To ensure benefits that the member has already paid for are unaffected, the scheme employer may issue a Certificate of Pension Protection that is valid for 10 years. When a Certificate of Pension Protection is applied, the pay used is increased in line with the Consumer Price Index. However, the revised pay information resulted in their final pay in the year that they retired being the highest. The correct monthly pension payments have now been put into place.

5. Next Steps

5.1 None.

6. Financial impact

6.1 As the expenditure has already been reflected in the relevant financial statements of the Lothian Pension Funds, there is no additional financial impact arising from the overpayment of pensions.

7. Stakeholder/Regulatory Impact

7.1 The Pension Board, comprising employer and member representatives, is integral to the governance of the fund and they are invited to comment on the relevant matters at Committee meetings.

7.2 There are no adverse health and safety, governance, compliance or regulatory implications as a result of this report. The forward planning of the Committees' agendas should facilitate improved risk management and governance for the pension funds.

7.3 There are no adverse sustainability impacts from this report.

8. Background reading/external references

8.1 None.

9. Appendices

9.1 None.