

Pensions Committee

2.00pm, Wednesday, 25 September 2019

Overpayments of Pension

Item number	5.5
Executive/routine	
Wards	All
Council Commitments	

1. Recommendations

The Pensions Committee is recommended to:

- 1.1 note that the Fund is currently pursuing recovery of an overpayment of pension totalling £13,373.30; and
- 1.2 to further approve that the overpayment should be written off, to the extent that the Fund's pursuit of recovery proves unsuccessful.

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Overpayment of Pension

2. Executive Summary

- 2.1 This report highlights an overpayment of pension totalling £13,373.30 and details the circumstances through which this has arisen.

3. Background

- 3.1 Delegated authority has been granted, in certain circumstances, to write-off pension overpayments up to £3,000. Any overpayment above this limit requires approval of the Committee.

4. Main report

- 4.1 In July 2019, a mistake was discovered in that the Fund had been paying a pension for a dependent child into an incorrect bank account since September 2015. All overseas pension payments are paid directly into a Western Union bank account. A reference number then re-routes pension payments into each individual overseas pensioner bank account. A mis-keyed reference number meant that payment was made directly to the bank account of another pensioner. Both the dependent child and unintended recipient reside in Australia.
- 4.2 Although procedures were in place for manual checking of the input, the mistake was not spotted by the member of staff responsible for the validation.
- 4.3 The dependent child has a sibling whose benefit entitlement has been paid correctly. The death of children's mother was a late notification (pensioner member), so the father received a death grant together with a backdated pension for himself and one of his children. It appears that he failed to notice that the pension payments only reflected entitlement for one child instead of two. The Fund has written to the father and made payment to the child. In accordance with Scottish Local Government Pension Scheme regulations, payment is being made to an account held in the child's name.
- 4.4 Payment to the incorrect bank account has been stopped.
- 4.5 The unintended recipient of the child's pension, this also including the initial backdated lump sum, is 79 years old. This member's own pension is only £110 per

month. Conscious of the potential sensitivities, the Fund has written to the member requesting that he should contact a named member of staff to discuss his pension. This will enable initial soundings as to the potential for any debt recovery.

- 4.6 Requisite control enhancements have been made by the Fund to prevent recurrence. Since the initial payroll processing error in 2015, payroll processing is now embedded within the core pension administration team and the Fund no longer employs any member of staff with discrete payroll responsibilities. More fundamentally, a monthly check is now being made against all overseas pensioner pension payments to ensure that both the reference number and bank details are correct.

5. Next Steps

- 5.1 The overpayment will be pursued further. Depending on the specific circumstances of this case, for example, if recovery of the overpayment would cause the pensioner undue hardship, it may not be possible to recoup any significant proportion of the overpayment. Once investigations have been concluded, a letter will be sent to the overseas pensioner member to confirm the decision of Committee.

6. Financial impact

- 6.1 The expenditure has already been reflected in the relevant financial statements of Lothian Pension Fund and so there is no additional financial impact arising from the overpayment of pension, except that a decision not to pursue the amounts does crystallise the loss in ruling out any future recovery.

7. Stakeholder/Community 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.
- 7.3 There are no adverse sustainability impacts arising from this report.

8. Background reading/external references

- 8.1 None.

9. Appendices

9.1 None.