CRONFA BENSIWN
POWYS
PENSION FUND

Overpayment of Pension Policy

July 2026

This document is also available in Welsh.

Policy History

Policy Date	Summary of change	Contact	Version/ Implementation Date	Review Date
2020	Initial version published	Pension Fund	1	2023
2023	Policy Review	Pension Fund	2	2026
2026	Policy Review	Pension Fund	3	2029

Contents

1. Introduction

1.1 This is the Overpayment of Pension Policy for the Powys Pension Fund, which is managed by Powys County Council (the Administering Authority).

1.2 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.

1.3 The Powys Pension Fund recognises the need to take a pro-active approach to identifying potentially fraudulent activity and overpayments.

2. Policy Objectives

2.1 The policy objectives aim to ensure the Fund:

- Has 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.

- Manages 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.

- Ensures benefits are paid to and income collected from, the right people at the right time in the right amount;

- Identifies errors and corrects them as soon as possible;

- Rectifies overpayments with the co-operation 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 but acknowledges that there may be legal reasons and/or other circumstances which mean that an overpayment may not, in practice, be able to be recovered (in whole or in part); and

- has steps in place to prevent and also investigate potentially fraudulent activity.

4. Effective Dates and Reviews

4.1 This policy was first approved by the Pensions and Investment Committee on 26 June 2020 and was effective from 1 April 2020.

4.2 This policy will be reviewed triennially, and if necessary, more frequently to ensure it remains accurate and relevant.

5. Scope

5.1 The policy applies to:

- All members and former members which includes survivor and pension credit members and any other type of member, have received one or more payments from the Powys Pension Fund;

- Executors of the Estates of deceased Powys Pension Fund members

- Beneficiaries of Powys Pension Fund members where those beneficiaries have received one or more payments from that Fund

- Administrators of the scheme

6. Managing overpayments of pension on the death of a scheme member

6.1 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.

6.2 Should an overpayment of pension occur as a result of the death of a scheme member, the Fund will generally seek to recover overpayments that are greater than £250 (gross) in value unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part). A value of £250 or less in the instance of the death of a scheme member has been deemed by the Fund as uneconomical to pursue.

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

6.4 An invoice will be raised by the Fund to recover an overpayment which is greater than £250 (gross) upon the death of a scheme member.

7. Managing overpayments of children's pensions failing to cease at the appropriate time

7.1 An eligible child as defined by the LGPS Regulations 2013, is entitled to receive a pension until such a time as their circumstances change and they are no longer eligible to receive a pension from the Fund.

7.2 In these cases the individual in receipt of the pension is responsible for informing the Pensions Section of a change in circumstances to ensure the pension is ceased at the appropriate time, failure to do so would result in an overpayment.

7.3 Should an overpayment of pension occur as a result of late notification of change of circumstances, the Fund will generally seek to recover overpayments that are greater than £250 (gross) in value unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part). A value of £250 or less has been deemed by the Fund as uneconomical to pursue.

7.4 An invoice will be raised by the Fund to recover the overpayment which is greater than £250 (gross) as a result of the late notification of the change in circumstances. The invoice will be sent to the individual whose bank account the child's pension was being paid into.

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 generally seek to recover monies that are greater than £250 in value unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part). A value of £250 (gross) or less has been deemed by the Fund uneconomical to pursue due to the administrative time involved.

8.2 Overpayments that are greater than £250 in value will be recovered in full through the scheme member's ongoing pension as this allows for the appropriate adjustment for tax. The pension will be reduced to the correct level for the next available monthly pension payment after a 6-week notice period. The scheme member will be notified in writing of the error and the course of action to be taken.

8.3 Where there is no ongoing pension from which to deduct the overpaid amount, an invoice will be arranged by the Fund to recover the overpayment which is greater than £250 in value.

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.

9.1 There are several reasons why a pension could be paid at an incorrect higher rate. The most common reasons are detailed in the table below, but it should be noted that this is not an exhaustive list.

	Type of overpayment	**How overpayment has occurred**
1	Administration error upon creation of payroll record	Incorrect (overstated) rate of pension input on creation of payroll record but member informed in writing of the **correct** rate of pension to be paid.
2	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.
3	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.
4	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.
5	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 order at State Pension Age

9.2 If the scheme member has been notified of the correct rate of pension in writing and is receiving a higher amount, it can be said that the member can reasonably be aware that they are being overpaid as the scheme member has been notified of the correct rate in writing.

9.3 The Fund will therefore generally seek to recover monies that are greater than £250 gross in value unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part). A value of £250 or less has been deemed by the Fund as uneconomical to pursue due to the administrative time involved.

9.4 The amount will be recovered from the scheme member's ongoing pension as this allows for the appropriate adjustment for tax. The pension will also be reduced to the correct level for the next available monthly pension payment after a 6-week notice period. The scheme member will be notified in writing of the error and the course of action to be taken.

9.5 Where there is no ongoing pension from which to deduct the overpaid amount, an invoice will be arranged by the Fund to recover the overpayment if it is greater than £250 in value.

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. It should be noted that the table below is not an exhaustive list;

	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 put into payment 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. Includes notification resulting as part of the cessation of contracting out and subsequent GMP reconciliation exercise (see note 11.2 below)
3	Pensions Increase	Pensions Increase inaccurately applied to the elements of a pension in payment.

10.2 In these circumstances the Fund will generally seek to recover monies that are greater than £250 gross in value unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part). A value of £250 or less has been deemed by the Fund as uneconomical to pursue due to the administrative time involved.

10.3 The amount will be recovered from the scheme member's ongoing pension as this allows for the appropriate adjustment for tax. The pension will also be reduced to the correct level

10.4 Where there is no ongoing pension from which to deduct the overpaid amount, an invoice will be arranged by the Fund to recover the overpayment if it is greater than £250 in value.

11. Discretion to write off overpayments

11.1 For all scenarios mentioned above, Officers have the ability to exercise discretion in the event of legal reasons and/or exceptional circumstances and to ensure no individual is unfairly treated. If the pursuing recovery of an overpayment was to cause significant distress and/or if there are legal reasons as to why the overpayment may not be recovered (in whole or in part) this would be taken into account as would the cost effectiveness of recovery. All applications made to write off an overpayment (in full or in part) will be investigated on a case by case basis and final decision will be made by the appropriate person listed in section 15 dependent upon the amount potentially being written off.

11.2 Where an overpayment has occurred as a result of the GMP reconciliation exercise, then the Fund is following the national suggested approach of not recovering any overpayment but correcting future pension payments.

12. Overpayment Recovery Period

12.1 The Fund will generally seek to recover overpayments that have been discovered within the last 6 years in line with the Limitation Act 1980, unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part).

12.2 It should be borne in mind that where the Fund seeks to recover overpayments, there may be challenges proposed as to why the overpayment should not be recovered (in whole or in part). These will need to be considered on a case-by-case basis and, if successful, may affect the ability of the Fund to recover the overpayment (in whole or in part).

12.3 In the event of a larger overpayment then the following process applies:

If there is an ongoing pension, Officers will contact the pensioner and advise that the Fund will seek to recover the overpayment. Where possible, a repayment plan will be agreed. This would typically involve repayment by instalments taken directly from the revised pension amount for an agreed period of time.

In the event that agreement cannot be reached, Officers may propose a partial repayment and write off a proportion of the overpayment.

If there is no ongoing pension, after consideration of the case, the amount may be written off.

13. Length of Time to Recover Overpayments

13.1 The Fund will allow a pension overpayment to be recovered over the same amount of time as the overpayment occurred. For example, if overpayments were made for a 3 month period, the recovery period to repay the overpayment will be 3 months.

However, The Fund can, at its discretion, allow repayment over a longer or shorter period dependent on the individual's circumstances.

14. Claims of inability to repay overpayment

14.1 In line with the guidance set out in the HM Treasury document "Managing Public Money", where the member has demonstrated that the recovery of an overpayment would cause hardship, we will consider that guidance and whether to waive the recovery of the payment. Any such pleas of hardship must be supported by reasonable evidence that the recovery of the overpayment would be detrimental to the welfare (financial or mental wellbeing) of the individual or their family.

Further details of the procedure and the required evidence will be provided upon request. In these cases, we will consult with the scheme member and where appropriate, the Fund will seek expert legal advice.

This approach is intended to reduce the number of Internal Disputes and referrals to the Pensions Ombudsman.

15. Authority to write off overpayments

15.1 The Fund will apply the following levels of authority when writing off overpayments:

Total Gross Value of overpayment *	Authority to write off overpayment
No more than £250.00 on any overpayment type	Automatic write off
Up to no more than £1,000	Pensions Administration Manager

Between £1,000 and £5,000	Pension Fund Manager
Between £5,000 and £25,000	Head of Finance/Section 151 Officer
Over £25,000	Portfolio Holder for Finance

* Subject to a full evidence-based report produced by Officers of the Fund

16. Prevention of overpayments

16.1 The Fund regularly reviews its processes in order to minimise the risk of overpayments occurring.

16.2 The National Fraud Initiative is conducted every two years; it compares files of pensioners with the Department for Work and Pensions database of the deceased and highlights matches for investigation. Powys Pension Fund actively participates in this initiative.

The Fund also uses the national “Tell Us Once” system that gives personal representatives of deceased members the opportunity to notify of a death at the time of registration.

16.3 Powys Pension Fund routinely participates in national and overseas life existence checks to ensure only legitimate pensions are being paid and to reduce the likelihood of fraudulent activity.

16.4 A report is run periodically on the pension administration system to identify individuals in receipt of a child’s pension, further investigations are then carried to ensure they are still entitled to receive a pension.

16.5 Powys 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, correspondence and pension payments returned by banks and building societies, to ensure the welfare of the scheme member and to protect payment of the Fund’s money.

16.6 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 and timely manner. This would be in circumstances such as a change from a short-term dependant’s pension to a long-term pension.

17. Additional Information

The Pensions Ombudsman has produced a useful factsheet on overpayments, which may be helpful for scheme members. This can be found on the Pensions Ombudsman website.

18. Contacts

18.1 Any questions, queries or observations on this document should be addressed to:

The Pension Administration Manager
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County Hall
Llandrindod Wells
Powys
LD1 5LG

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