

Title of Report	Over and Underpayment Policy
For Consideration By	Pensions Committee
Meeting Date	7 February 2024
Classification	Public
<u>Ward(s) Affected</u>	All
<u>Group Director</u>	Jackie Moylan, Interim Group Director of Finance

1. **Introduction**

- 1.1. This report presents an updated Over and underpayment policy for review by the Pensions Committee. The policy was last reviewed in 2021 and is now due for renewal as part of the 3 yearly review process.

2. **Recommendations**

2.1. **The Pensions Committee is recommended to:**

- **Approve the revised policy**

3. **Related Decisions**

- 3.1. Pensions Committee 14 January 2021 - Over / Underpayment Policy and GMP Reconciliation

4. **Comments of the Interim Group Director of Finance**

- 4.1. The Pension Fund has approximately 26,000 scheme members. It is therefore inevitable that, in the course of managing the Fund, there will be circumstances where members may be paid more or less than they are due. This policy sets out how these situations are managed once the under or overpayments are identified.
- 4.2. There are no direct financial implications arising from this report.

5. **Comments of the Acting Director of Legal, Democratic and Electoral Services**

- 5.1. Underpayments and Overpayments of benefits can occur for a variety of reasons. Members' benefits are specified in the Local Government Pension Scheme (LGPS) Regulations and other relevant legislation and it is not permitted under law for members to be paid anything other than the amounts due under these rules.
- 5.2. However, there are circumstances in which members may be paid more or less than they are due; this policy is formulated under the Local Government Pension Scheme Regulations 2013 and related legislation to help the Fund manage these situations.
- 5.3. There are no immediate legal implications arising from this report.

6. **Background to the Report**

- 6.1. Although Hackney Council is the administering authority for the London Borough of Hackney Pension Fund, the administration of the Fund is partly outsourced to Equiniti. Equiniti carry out the majority of benefit calculations and payments. The amount and entitlement to benefits is defined in the Local Government Pension Scheme (LGPS) Regulations and other relevant legislation and it is not permitted under law for members to be paid anything other than the amounts due under these rules.
- 6.2. There are circumstances in which members may be paid more or less than they are due in error and it is important that the Fund has a clear policy on how these situations are managed once the under or overpayments are identified. Underpayments and overpayments of member and employer contributions can arise due to a number of different reasons, though these are more likely to be related to administrative errors by the member's employer, the administering authority and/or the administrator than any activity relating to the individual member.
- 6.3. It is critical that the approaches to be taken when such a situation arises are documented and understood by all affected parties, to ensure ongoing compliance with legal requirements whilst ensuring an efficient, quality and value for money service is provided to the Fund's scheme members and employers.
- 6.4. The Policy aims to ensure that:
- all overpayments and underpayments of benefits are treated in a fair and equitable manner
 - where appropriate (and practical to do so), the Fund attempts to recover overpayments of benefits that have occurred

- the Fund attempts to reimburse members or their beneficiaries where underpayments have occurred.
- the Administering Authority receives the correct contributions from employers and members as required by the Regulations and the Fund's Rates and Adjustments certificate, in order that the benefits are adequately funded.
- the Administering Authority has processes in place to prevent and mitigate potential fraudulent activity.

6.5. Appendix 1 to this report presents a marked up copy of the draft policy showing the changes proposed to the previous version. A number of the changes made include wording updates, improving some points of clarification and some reordering to make the policy consistent with other Fund policies. New wording is highlighted in yellow and wording to be deleted is shown in strikethrough.

6.6. The key changes include:

- Updating the administration and communications objectives
- Adding in a new section covering underpayments of benefits relating to the McCloud remedy
- Clarifying that any breaches relating to overpayments of benefits will be recorded on the Fund's breaches log.
- Adding some wording to clarify that the Fund will follow the principles set out in the Funds Procedure for Reporting Breaches of the Law and Hackney Council's Anti-fraud and Corruption Policy
- In relation to accessing pension software outlining that there is clear separation of duties in place between officers who complete and check calculations.

Appendices

Appendix 1 - Draft Over and underpayment policy (changes marked)

Appendix 2 - Draft Over and underpayment policy (clean)

Background documents

None

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