



South Tyneside Council

Pensions Committee

Date: 27 February 2014

Recovery of Overpaid Pension on Death

Report of the Corporate Director Business and Resources

Purpose of Report

1. The Pensions Committee has set a policy on the recovery of overpaid pension following the death of a Scheme member.
2. Whilst the policy has worked well overall, there are cases where it could lead to an overpayment of pension and an associated death grant being treated separately, resulting in a death grant being paid to a beneficiary without an overpayment being recovered.
3. It is recommended that the policy be revised to correct this anomaly.

The Present Policy

4. The Pensions Committee has adopted a policy on the recovery of overpaid pensions following the death of a Scheme member.
5. This policy was set in 2007.
6. The present policy can be summarised as follows:
 - Where a death is notified before a forthcoming pension payment has been actually paid, recovery will always be attempted. When a pension payment is recovered, any balance of pension due to the estate will be paid.
 - Where the payment has already been made, and in order that further distress is not caused to family and friends, overpayments in respect of the month in which the death occurs will not be recovered unless the amount of the overpayment is £250 or more. Where this is the case, recovery of the overpayment will be pursued, as failure to recover an overpayment of £250 or more will result in tax penalties being incurred by both the recipient and the Fund.
 - Where an overpayment is for a period in excess of the month in which the death occurs, recovery of the overpayment in respect of the period in excess of the month in which death occurred will be attempted. However, if the amount of the overpayment in respect of the month in which death occurs is, in itself, more than £250, the whole of the overpayment will be pursued so as to prevent tax penalties being incurred.
 - All spouses' pensions will commence from the day after death, regardless of any overpayment to the estate.
 - Overpayments will be recovered from the deceased's estate unless the spouse asks that the net amount due be deducted from his/her pension.

Problems with the existing policy

7. There are instances where a death grant is payable and there has been an overpayment of pension.
8. Under the existing policy, the death grant is paid and then the overpayment is recovered separately.

Proposals for an amendment to the policy

9. It is recommended that the policy be amended to ensure that, wherever possible, any overpayment is recovered from the death grant before a payment is made to a beneficiary.

10. The revised policy would be:

- Where a death is notified before a forthcoming pension payment has been actually paid, recovery will always be attempted. When a pension payment is recovered, any balance of pension due to the estate will be paid.
- Where the payment has already been made, and in order that further distress is not caused to family and friends, overpayments in respect of the month in which the death occurs will not be recovered unless the amount of the overpayment is £250 or more. Where this is the case, recovery of the overpayment will be pursued, as failure to recover the overpayment will mean that tax penalties are incurred by both the recipient and the Fund.
- Where an overpayment is for a period in excess of the month in which the death occurs, recovery of the overpayment in respect of the period in excess of the month in which death occurred will be attempted. However, if the amount of the overpayment in respect of the month in which death occurs is, in itself, more than £250, the whole of the overpayment will be pursued so as to prevent tax penalties being incurred.
- All spouses' pensions will commence from the day after death, regardless of any overpayment to the estate.
- Overpayments will be recovered from the deceased's estate except where a surviving spouse, civil partner, cohabiting partner, eligible child or any other person appearing to have been a relative or dependent of the deceased member are to be paid a death grant (notwithstanding their eligibility to receive survivor benefits), and where that surviving spouse, civil partner, cohabiting partner, eligible child or other person is the sole beneficiary of the deceased's estate, any overpayment will be recovered from the death grant before any payment of the death grant is made.

Recommendation

11. The Committee is recommended to amend the policy for recovery of overpaid pension on death.

Reasons for Recommendation

12. To ensure that the policy of the Fund in respect of overpayment of pension on death does not expose the Fund to unnecessary overpayments.

Recovery of Overpaid Pension on Death

The following is a list of the background papers (excluding exempt papers) relied upon in the preparation of the above report:

| Background Paper | File Ref: | File Location |
|--|------------------|----------------------|
| Pensions Office Discretions and Protocols File | N/A | Hebburn Civic Centre |