

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Committee</b> 21 January 2020
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<b>Report Title</b>	Management of Overpayments and Member Tracing	
<b>Originating service</b>	Pension Services	
<b>Accountable employee</b>	Amy Regler	Head of Operations
	Tel	01902 55 5976
	Email	<a href="mailto:Amy.Regler@wolverhampton.gov.uk">Amy.Regler@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood	Director of Pensions
	Tel	01902 55 1715
	Email	<a href="mailto:Rachel.Brothwood@wolverhampton.gov.uk">Rachel.Brothwood@wolverhampton.gov.uk</a>

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**Recommendation for noting:**

The Committee is asked to note:

1. The Fund's process for managing overpayments of pension and the appointment of a new supplier for mortality screening and deferred address verification and tracing.

## 1.0 Purpose

- 1.1 To inform Committee of the work undertaken to improve the quality of data held by the Fund in relation to deferred addresses and mortality screening, and the selection of a new provider for these services.

## 2.0 Background

- 2.1 The Fund is required to review its data at least once a year and if there are any issues, put an improvement plan in place to address them. The improvement plan should clearly set out the steps to be taken to improve the data held. Failure to maintain accurate records can put the Fund at risk of failing to meet legal obligations to members, which could result in the Regulator taking enforcement action to remedy and rectify inaccurate data. There is therefore both a legal and reputational risk to holding inaccurate or incomplete data.
- 2.2 The impact of this incorrect data is also evident in costs resulting from overpayment of pension, data breaches due to incorrect addresses and charges surrounding processes e.g. failure to pay refunds within five years.
- 2.3 Currently, to meet these requirements, the Fund uses a variety of data cleansing services to trace and screen members suspected of changing address or being deceased. The services being utilised by the Fund are as follows:
  - Tracesmart is web based software which enables the Fund to verify and trace addresses on an individual basis. This software is used on a daily basis by staff, when we receive an item of returned post or is used to check if members who have not contacted the Fund in a significant number of years are still residing at the address held by the Fund. The Fund only acts upon responses which return “very high”, due to the need for certainty.
  - HALO Mortality Screening. A monthly file is provided by a third party provider which includes deaths recorded on the officially certified death database (HALO) to analyse and cross check possible unnotified deaths against the pensioner membership.
  - National Fraud Initiative (NFI). This is a bi-annual exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. These bodies include police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies, the Fund participates with support from City of Wolverhampton Council. This is a service the Fund uses to support the identification of any unnotified deaths.
  - Life Certification Process for Overseas pensioners. On an annual basis, the Fund writes out to its pensioner members who are based overseas to confirm existence and contact information.

2.4 In 2018, the Fund worked as a founder alongside a number of other Funds and the National LGPS Frameworks, to establish a procurement framework for Member Data Services, specifically covering address verification and tracing and mortality screening services.

### 3.0 Development of Services

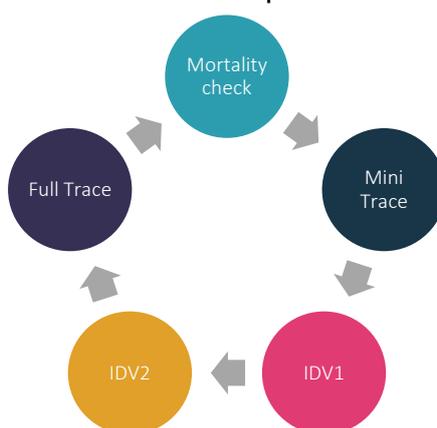
#### 3.1 Deferred Address Tracing

3.1.1 One key area of the common data requirements specified by The Pensions Regulator (TPR) is holding an accurate address for all members. For deferred members, who are no longer in active employment with a Fund employer, the Fund is reliant on member notifications of changes in address and contact information which enable the Fund to remain in dialogue with the member. Member self-service through the portal enables the update of personal details, but returned post and gaps in portal uptake indicate a higher risk of loss of member contact, as members tend to not keep in contact with the Fund until they want to claim their benefits.

3.1.2 Through the reporting undertaken on the common data requirements, the Fund identified a number of deferred members where an inaccurate or not upto date address was held. In March 2019, the Fund engaged with Target Professional Services via the National LGPS Framework to undertake a pilot project of tracing known missing addresses for deferred members.

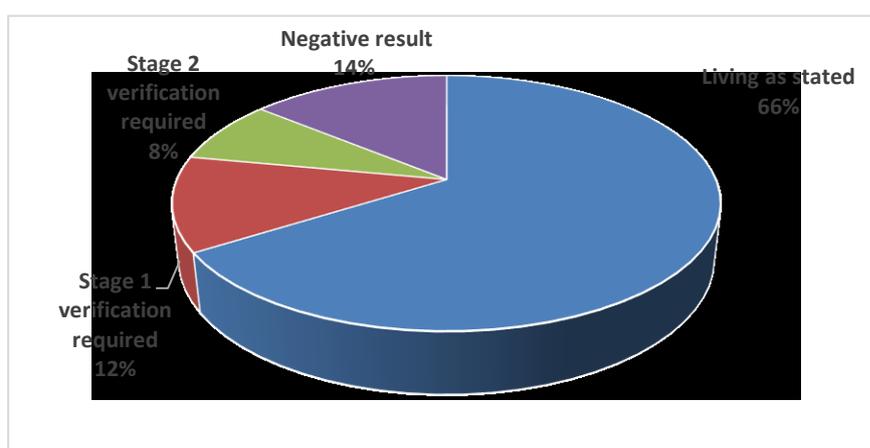
3.1.3 Target undertook a four stage tracing process on these members, which started with an initial mortality check on the member and then an automated mini trace to verify the address the Fund held and also try and identify a new address if applicable. From this the data is then graded on level of certainty and accuracy of match/trace. Any new addresses which are found and have a higher grading undergo a high-level verification stage, those with a lower graded accuracy rating (linked only on minimal identifiers) are taken through a more in depth verification stage.

3.1.4 From this, only 5% of records could be updated with no further verification required, with the remaining cases moving onto the further stages of verification. This initial verification stage confirmed the validity of a further 39% of new addresses enabling records to be updated. The remaining members, who were seen as a lower graded result of matching were progressed to a further tracing and verification stage engaging directly with the member to ensure that the new address found was that of the member of the Fund, this produced a further 12% of members with updated addresses.



3.1.5 Overall the Fund had a 56% success rate from this pilot project, a higher than average rate for such an exercise.

3.1.6 Following the success of this pilot and to assist in the review and update of address data held, the Fund has developed a deferred member tracing programme targeting regular checks on member contact information ahead of their anticipated retirement date or 5 year refund deadline payment date. This new programme was initiated in October and the Fund sent just over 2000 member details to be verified and where required a new address to be supplied. The results from the first month were very positive and we had a 66% initial success rate, with over 1300 members being confirmed as living as stated, meaning the Fund held the correct address. Of the remaining members, further verification and tracing has been undertaken.

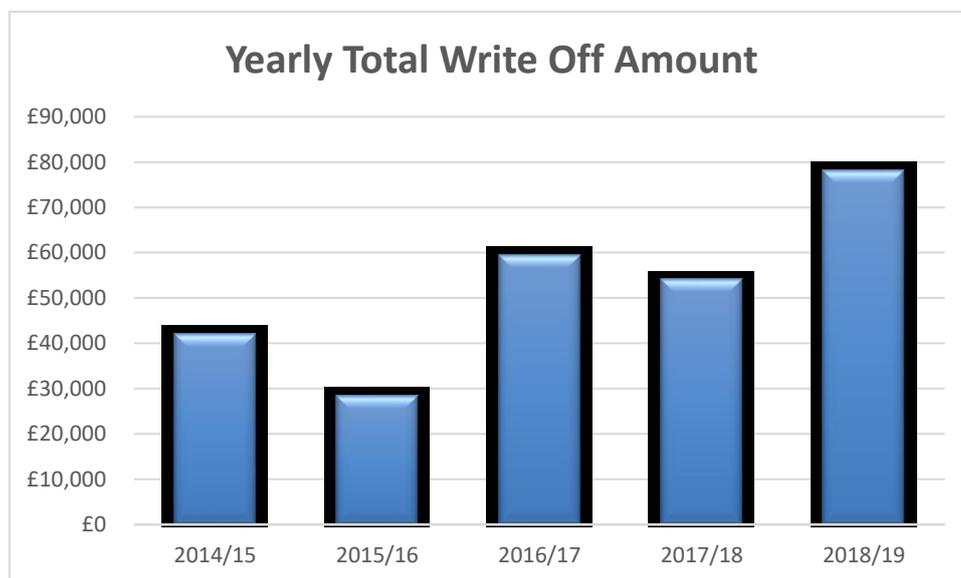


3.1.7 This proactive approach is expected to see a continued improved service to the member through minimising any delays in receiving their benefit information when it is due and create efficiencies for resources ensuring the information they are processing is accurate at the point of processing. It will also support the Fund in meeting TPR requirements for data quality. To ensure efficiency and value for money of engaging with a third party provider the Fund focusses on those members nearing retirement and ensures an appropriate balance in the cost of the service and the value of the payment.

## 3.2 Mortality Screening

3.2.1 On average the Fund receives 3000 death notifications from its pensioner population a year either through next of kins and beneficiaries or via the third party member data provider. Once notified, pension payments to the member cease and those payable to member beneficiaries, typically lower, are considered and established.

3.2.2 As previously detailed, the Fund undertakes monthly mortality screening and a bi-annual verification of the pensioner payroll. As part of the 2019 NFI exercise, the Fund saw an unprecedented increase in the number of unnotified deceased members who were currently in receipt of a pension. The late notification of a death can lead to an overpayment of pension and on average, over the last five years the Fund has caused to write off £52,000 per annum, with the increase in 2018-2019 shown in the chart below.



3.2.3 In the summer of 2019, following a review of the existing mortality screening service and market place the Fund engaged with a third party provider from the Member Data Services Framework to improve the quality of the mortality screening activities undertaken. The new provider utilises a broader and more comprehensive selection of data sources as part of the screening process including, General Register Office (GRO), Disclosure of death register information (DDRI), Halo (the existing database and provider), database of officially certified deaths, Funeral directors and Insurance companies.

3.2.4 Following the first exchange of data with the new supplier, the Fund saw a 89% increase in the number of deceased member identifications, and for the first three months of the contract the Fund has seen improved accuracy and timeliness of notifications. The Fund will continue to monitor overpayments to assess the value added from the additional screening services.

#### 4.0 Write Off Procedure

4.1 The Local Government Pension Scheme Regulations 2013, state that funds are required to pay the correct benefits as and when they fall due. The Fund has a write off procedure to manage circumstances whereby an overpayment has occurred due to inaccurate and or untimely payments. 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). The Fund will generally seek to recover overpayments that have been discovered within the last 6 years with the relevant postponement applied if applicable inline with the

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Limitation Act, 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).

- 4.2 The Fund reports to the Committee on a quarterly basis (within the Pensions Administration report) the total value and individual levels of write-offs which relate to pensions overpaid to members due to the late notification of deaths. The Fund is in the process of reviewing the current procedure for recovering debt and write-off limits, in the context of recovery costs. As services have been enhanced to target reduction in the incidence and volume of overpayments, individual recoveries will only be pursued where there is expected to be a net benefit to the Fund.

## **5.0 Financial implications**

- 5.1 The report contains financial information which should be noted.
- 5.2 The Fund follows a debt recovery process, however overpayment of pensions can lead to the requirement write off money as detailed in the Fund's write off procedure.

## **6.0 Legal implications**

- 6.1 The report contains no direct legal implications.

## **7.0 Equalities implications**

- 7.1 The report contains no equalities implications.

## **8.0 Environmental implications**

- 8.1 The report contains no direct environmental implications.

## **9.0 Human resources implications**

- 9.1 This report contains no Human Resources implications

## **10.0 Corporate landlord implications**

- 10.1 The report contains no direct corporate landlord implications.

## **11.0 Schedule of background papers**

- 11.1 None.

## **12.0 Schedule of appendices**

- 12.1 None.