

Report of the Section 151 Officer

Pension Fund Committee – 4 December 2104

EXISTENCE CHECKS FOR OVERSEAS PENSIONERS

Purpose:	To approve the undertaking of existence checks for overseas pensioners.
Reason for Decision:	To mitigate the risk of not being informed of a member's death and therefore deter and prevent overpayment and fraud.
Consultation:	Legal, Finance and Access to Services.
Recommendation(s):	It is recommended that: 1) Western Union Business Solutions is approved to provide a service for the Pension Fund to carry out existence checks for overseas pensioners; 2) International pension payments are subsequently paid via Western Union Business Solutions.
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1.0 Introduction

1.1 The Pension Fund mainly relies on being notified of a death of a pensioner by someone either related or connected to the pensioner. This can lead to a delay in the notification and results in an overpayment of the pension which then has to be recovered, or potentially fraudulent payments.

1.2 To mitigate the risk of not being informed of a member's death, the following procedures and checks are in place:

- Suspension of pension – if a bank credit is returned, the pension is suspended pending investigation

- The National Fraud Initiative (NFI) – NFI is a well-established data matching exercise led by the Audit Commission. It is designed to compare databases across the public sector to identify any fraud and consequential overpayments. The matching service is carried out every two years and includes a comparison of public sector records to UK death records and will also identify where a pensioner had been re-employed.
- ATMOS (Address Tracing and Mortality Screening) – The Fund has been submitting a monthly mortality screen check to ATMOS since 2010 which can speed up the identification of mortality cases thereby reducing the risk of fraud and associated costs.

1.3 Although the above measures have all proved to provide an earlier intervention to discontinue payment of a pension where notification has not been received, there is nevertheless a gap in this process as pensioners who have moved overseas are not included in any of the measures already utilised.

1.4 The Department of Work and Pensions released figures in January 2014, which indicated that international pension fraud cost the taxpayer around £50 million in 2012-13. Therefore, it is important that the Fund establishes an existence check for its overseas pensioners to provide further mitigation against the risk not being informed when a pensioner living overseas dies.

2.0 Existence Check Service – Western Union Business Solutions

2.1 It has been identified that pensions are currently paid to 83 pensioners who reside overseas.

2.2 Western Union Business Solutions (WUBS) provide a unique solution that enables identity checks for overseas pensioners. The existence check is carried out by requiring a pensioner to produce appropriate documentary evidence of existence at one of Western Unions' 500,000 agencies which are located in over 200 countries. If the pensioner fails to make the face-to-face contact, WUBS will send a report to the Fund for the pension to be suspended pending further investigation.

2.3 The cost for the provision of this service is £20 per pensioner for each existence check and the frequency is in the control of the Pension Fund. It is proposed that the check would be carried out on an annual basis which, based on the current 83 pensioners who reside overseas would amount to £1,660 per annum.

2.4 If the existence check service is approved, the current facility used to pay pensions into an overseas bank account would have to be transferred from Citibank to WUBS as part of the agreement.

2.5 WUBS will process pension payments in the pensioner's local currency using a process which provides comparable exchange rates and causes

minimal delay in the international transfer process between the payment date of the pension and the date the pension is credited to the pensioner's bank account. Testimonials from other Local Government Pension Managers who use the WUBS facility have all confirmed that the international payment process provided is far quicker than that provided through other facilitators.

2.6 In addition, WUBS will provide the Pension Fund with support and an online facility which allows greater control over beneficiary information, including the opportunity to suspend or cancel a payment if a notification of a death is received after the closing date of the pension payroll.

2.7 There is currently no charge to the Pension Fund by Citibank and WUBS also make no charge for facilitating international payments.

3.0 General Issues

3.1 Currently there is no system in place to carry out existence checks which could result in an overpayment of pension as well as increase the risk of fraud.

4.0 Equality and Engagement Implications

There are no equality or engagement implications associated with this report.

5.0 Financial Implications

5.1 If the existence check service is approved, the cost will be £20 per pensioner for each existence check undertaken; however there is a potential of reducing payments sent to non-entitled or deceased beneficiaries.

5.2 The value of the contract is less than £5,000 per annum

6.0 Legal Implications

6.1 It is recommended that in order to protect the Fund's interests that a formal written agreement is entered into between the Council and WUBS prepared or approved by the Head of Legal and Democratic Services and Procurement.

6.2 It is noted that the value of the contract will be less than £5,000 per annum and accordingly under Contract Procedure Rule 4.4.1 there is no requirement for a formal quotation process and best value can be demonstrated by the keeping of appropriate records..

Background Papers: None.

Appendices: None.