



TITLE: Overpayment Policy

Effective Date: April 13, 2023

BOARD ADOPTION: April 13, 2023

I. PURPOSE

The Seattle City Employees' Retirement System ("SCERS") seeks to make reasonable efforts in appropriate cases to obtain recovery of funds owed to SCERS due to benefit overpayments.

II. BACKGROUND

SCERS has a fiduciary obligation to conserve retirement fund assets and protect the integrity of the fund, for the benefit of all current and future members and beneficiaries of SCERS.

Members and beneficiaries have a right to accurate pension benefit payments. No member or beneficiary has a right to receive or retain retirement benefit payments that exceed the amount to which they are entitled. However, notwithstanding SCERS' best efforts, overpayments can occur for a variety of reasons, sometimes due to the fault of the member, SCERS, or both. All overpayments should be monitored and addressed timely to ensure that overpayments can be recovered in accordance with the law and the facts of particular cases.

The most common reason that an overpayment occurs is when SCERS is not notified timely after the death of a retiree or a beneficiary with a survivorship. However, overpayments may also occur from time to time because a benefit is not reduced on schedule (e.g., the reduction for a rehired retiree or an Option F benefit is not implemented during the correct month, or a Qualified Domestic Relations Order is not implemented timely), or because a benefit calculation is incorrect.

This policy covers three (3) overpayment and recovery categories: A) Benefits Are Continuing and the Overpayment is Less Than Three Times the Ongoing Benefit; B) Benefits Are Continuing and the Overpayment Is At Least Three Times the Ongoing Benefit; and C) Benefits Are Not Continuing to the Individual Who Received the Overpayment.

III. POLICY

A. Overpayments Where Monthly Retirement Benefits Are Continuing and the Amount Overpaid Is Less Than Three Times the Ongoing Monthly Benefit Due

1. Any error or miscalculation in the proper monthly benefit payment amount shall be corrected prospectively. This correction shall also apply proportionally to any benefit payable pursuant to a Qualified Domestic Relations Order (QDRO).
2. The individual to whom any overpayment has been made is obligated to make repayment of the principal amount of the overpayment, plus applicable interest. The following methods will apply to obtain repayment:
 - (a) The individual may pay SCERS the amount of the overpayment plus applicable interest in full within 30 days, or, if agreed upon by SCERS, within a period of up to one (1) year from notification of the overpayment.
 - (b) If the individual who received the overpayment does not respond to communications from SCERS or refuses on the basis of financial hardship to make repayment as described in

subsection (a), recovery shall occur by reducing monthly benefit payments by 25% until the full amount of the overpayment, plus applicable interest, is recovered. If any portion of the overpayment remains unrecovered at the time monthly benefit payments cease, further collection will proceed as described in Section C.

B. Overpayments Where Monthly Retirement Benefits Are Continuing and the Amount Overpaid Is At Least Three Times the Ongoing Monthly Benefit Due

1. Any error or miscalculation in the proper monthly benefit payment amount shall be corrected prospectively. This correction shall also apply proportionally to any benefit payable pursuant to a Qualified Domestic Relations Order (QDRO).
2. The individual to whom any overpayment has been made is obligated to make repayment of the principal amount of the overpayment, plus applicable interest. The following methods will apply to obtain repayment:

(a) The individual may pay SCERS the amount of the overpayment plus applicable interest in full within one (1) year from notification of payment. If the overpaid amount is greater than two (2) years' worth of benefits, the overpayment can be repaid in an agreed payment plan lasting up to five (5) years.

(b) If the individual who received the overpayment does not respond to communications from SCERS or refuses on the basis of financial hardship to make repayment as described in subsection (a), recovery shall occur by reducing monthly benefit payments as follows, whichever produces the lesser reduction in ongoing benefit payments:

(1) A 25% reduction of the individual's ongoing monthly benefit payments until the full amount of the overpayment, plus applicable interest, is recovered. If any portion of the overpayment remains unrecovered at the time monthly benefit payments cease, further collection will proceed as described in Section C.

or

(2) A reduction of ongoing monthly benefit payments so that the total actuarial value of the reduction is equal to the accumulated overpayments plus applicable interest. No additional recovery shall occur when monthly benefit payments cease.

3. In instances where the total overpayment is greater than five (5) years of retirement benefits and is the result of an error by SCERS, SCERS will only require a repayment of five (5) years of benefits, without interest. This may be repaid through the lesser of a 25% reduction of the individual's ongoing monthly benefit payments, or a reduction of ongoing monthly benefit payments so that the total actuarial value of the reduction is equal to the accumulated overpayments. In either case no additional recovery shall occur when monthly benefit payments cease.

C. Overpayments Where Monthly Retirement Benefits Are Not Continuing to the Individual Who Received the Overpayment

1. The individual to whom any overpayment has been made, that individual's estate, and other legal successors of the overpaid individual are obligated to make repayment of the principal amount of the overpayment, plus applicable interest.
2. Where monthly benefit payments have ceased, SCERS will make reasonable efforts to recover overpayments including but not limited to demands, liens, attachments, garnishments, and legal action.

D. General Matters:

1. To the full extent permitted by law, overpayments may be recovered from funds otherwise payable to the beneficiary or beneficiaries designated under the terms of the plan.
2. Except where a QDRO has been entered with the alternate payee's knowledge of an overpayment or potential overpayment, benefits payable pursuant to a QDRO shall not be reduced to obtain recovery of overpayments already made to a participant.
3. Interest must be paid on overpayments, except to the extent determined by the Executive Director or designee that it is inequitable to require interest under the circumstances.
4. The interest rate applicable to overpayments shall be the actuarially assumed rate of return for SCERS' assets and will be applied from the date of the overpayment.
5. Receivables best practices employed by SCERS will include, but may not be limited to:
 - (a) Original overpayment notification via mail
 - (b) 30-day and 60-day notification via certified mail and mail
 - (c) At least 2 documented attempts via phone and/or email
6. Collections will generally be handled according to the overpayment amount and applicable collection fees incurred will be charged to the individual. Collections will be referred as follows:
 - (a) Collection of amounts ranging from \$100 - \$10,000 will be referred to the City's Third-Party Collections Agency
 - (b) Collection of amounts greater than \$10,000 will be referred to the City's Civil Collection Unit in the Law Department
7. Where a benefit adjustment or overpayment recovery may be precluded by law or unfeasible given the expense of collection, the Board of Administration may determine not to adjust the benefit amount or not to require full repayment of an overpayment and applicable interest.
8. In cases where there is evidence that an overpayment resulted from fraud or dishonest conduct by a member or individual, or recovery of an overpayment under this policy is impeded, SCERS reserves all rights to seek all amounts overpaid plus the maximum amount of interest recoverable under law.
9. Appeal Process: in instances where a financial hardship is so great that the need extends beyond the repayment options described in the sections above, the member or affected individual may appeal to the SCERS Board of Administration by submitting a written claim. The claim must include the reason for the appeal and include two (2) years of tax returns that support why the required repayment is improper. The Board will retain full authority to make determinations of such matters, and to enter settlements in accordance with determinations of legal risk, equity, and collectability.
10. In cases where overpaid amounts are deemed uncollectible, SCERS will write-off the amounts. Write-offs will occur when: A) The Board votes in favor of an appeal; B) The third party Collection Agency or the City's Civil Collection Unit in the Law Department determines an amount is uncollectible; C) The amount is less than \$100 and SCERS staff have completed its due diligence process. As least twice a year the SCERS Executive Director will review for approval the write-offs under \$10,000 and the Board of Administration will review for approval the write-offs \$10,000 and above as well as any overpayments due to fraud.

IV. POLICY REVIEW

The Board shall review this policy at least once every three (3) years to ensure that it remains relevant and appropriate.