

8 Recovery of ERS Overpayments

How the ERS Recovers Overpayments

Chapter 36-11 of the Milwaukee City Charter, requires the Employees' Retirement System (ERS) and the Annuity and Pension Board to correct any payment error and in the case of overpayment, to pursue repayment. It should be noted that in the case of underpayment, correction is also required and retroactive adjustments are provided.

The ERS has procedures in place to recover ERS overpayments that have been made in error.

Checklist

If you mistakenly receive a payment from the Retirement System that is too high (or a benefit to which you are not entitled), please contact the ERS immediately if you are aware of the error and avoid large repayment bills. If the ERS discovers an error, the ERS will take the following steps to recover the overpayment:

- The Member Services Department will notify you in writing and explain the nature of the error. Your monthly benefit will be adjusted and you will be asked to repay the full amount of the overpayment and to contact the Retirement Plan Manager.
- If you agree to repay the money due to the ERS*, Member Services will arrange repayment with you. If you are not able to repay the full amount at once, the ERS can make deductions from your monthly ERS benefits over a reasonable period of time that takes into account the amount overpaid and your own circumstances. You will receive a second letter that confirms your repayment arrangement.
- If you do not respond to the original notice from the ERS*, you will receive a second letter stating that unless a repayment agreement is reached within 10 days, your monthly ERS benefit will be actuarially reduced — for the remainder of your lifetime — to make up for the amount of the overpayment. This repayment option is provided for in the plan document.
- Pension Law (Chapter 36-11 of the Milwaukee City Charter) provides that if your overpayment is the result of an attempt to defraud the ERS, the person committing the fraud shall be guilty of a misdemeanor and punishable under the laws of the state of Wisconsin. The ERS will pursue filing charges with the District Attorney's Office.

The ERS is committed to protecting the assets of the Employees' Retirement System. This responsibility includes correcting payment errors and working to promptly recover any funds that have been overpaid. Overpayment may result from calculation or administrative errors (or occasionally, from commission of fraud).

When an overpayment is identified, the ERS takes the following steps:

Step 1: Initial Member Contact

If you mistakenly receive a payment that is too high (or a benefit to which you are not actually entitled), the Member Services Department will notify you in writing. You will be informed of:

- the reason the overpayment occurred
- the amount overpaid, and
- the need to repay the ERS the amount you received in error.

After receiving this notice, you must contact ERS **within 10 days** to discuss how and when you will make repayment.

Step 2: Arranging Repayment

The ERS prefers that you repay the full amount in a single payment. You may send a check — made out to the City of Milwaukee Employees' Retirement System — to the attention of the ERS Payroll Department. (Use the address on the back of this brochure.)

If you are unable to repay the full amount in a lump sum, the ERS will accept an actuarial lifetime repayment, which includes interest as provided in the plan documents.

Under actuarial lifetime repayment, your monthly benefit is *actuarially reduced* for the remainder of your lifetime. This means that your pension amount is adjusted (using a mathematical factor) to provide a *total* lifetime pension benefit from the ERS (including the overpayment) that will equal as closely as possible the actual lifetime benefit to which you are entitled.

Does the ERS add interest charges to repayments that extend over a period of time?

No interest charges are added to voluntary repayments made over a *fixed* number of months.

Under a *lifetime monthly pension reduction*, however, the actuarial reduction to your benefit reflects a mortality and interest charge.

I have strong reason to suspect I have been overpaid. What should I do?

Contact the ERS office immediately. Do not spend that overpayment, since you will need to return it to the ERS. When you call the ERS, ask to speak with the Retirement Plan Manager and explain the overpayment. The manager will then review your case file and inform you of the determination.

Step 3: ERS Follow-up

After you and the ERS agree to repayment terms, the ERS will send you a second letter confirming this arrangement.

If you agree to repay the entire amount by check, you must submit your check *within 30 days* of arranging payment with the ERS. If you instead agree to make repayment through monthly pension deductions, these deductions will begin within 30 days.

What happens if I do not answer the ERS' first letter informing me of the overpayment?

If you do not respond to the original notice from the ERS, you will receive a second letter stating that unless a repayment agreement is reached within 10 days, your monthly ERS benefit will be actuarially reduced — for the remainder of your lifetime — to make up for the amount of the overpayment.

I am a retiree receiving monthly pension payments under a survivor option. If I make repayment through monthly deductions, what happens if I die before I have repaid the full amount due?

If you are paying the ERS back under an actuarial lifetime repayment, your repayment obligation will end upon your death. No reductions will be made to the monthly benefit that will become payable to your survivor.

What happens if the ERS finds that the overpayment was the result of fraud?

Examples of fraud include knowingly making a false statement to the ERS, and falsifying (or allowing to be falsified) Retirement System records. The ERS always seeks full recovery of overpayments that result from fraud. Under Chapter 36-11 of the Milwaukee City Charter, any person committing fraud that leads to overpayment shall be guilty of a misdemeanor and punishable under the laws of the state of Wisconsin.

You may elect to have your overpayment subtracted (or “offset”) from any forthcoming adjustments such as Global Pension Settlement lump sum bonuses or retroactive pension adjustments due to late labor settlements, etc.

To help you determine a plan for repayment, the ERS Retirement Plan Manager will consider the nature of the error, amount of the overpayment, your ability to pay and individual circumstances. A sliding scale will be used in determining the actual repayment amount. Repayment will follow four general guidelines:

- First, the overpayment must be recovered as quickly as possible.
- Second, repayment should be paid in full, in a lump sum amount, whenever possible.
- Third, repayment should never exceed the length of time over which the overpayment occurred.
- Fourth, unwillingness to voluntarily repay will result in an actuarial lifetime repayment, which includes interest as provided in the plan documents.