

Pennsylvania Municipal Retirement Board Policy Statement 23-5 Adopted September 23, 2023	Overpayment Policy
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Purpose: To provide direction to the Pennsylvania Municipal Retirement System staff (Staff) on the collection, requests for compromise, and write-off of delinquent debts and accounts due the Pennsylvania Municipal Retirement System (the “System”).

Authority The Pennsylvania Municipal Retirement Law, Act 15 of 1974, Section 104.

Background An overpayment occurs when an individual (“Debtor”) is paid funds exceeding an entitled benefit. Reasons for overpayments include, but are not limited to:

1. Delayed notification of the death of a member or beneficiary.
2. Inaccurate information reported by the member or employer.
3. Administrative errors by PMRS Staff.

Procedures: Debtors who have been overpaid shall be notified in writing of the reason and the amount of the overpayment. The overpayment recovery letter shall offer the following repayment methods:

1. **Lump Sum.** A debtor may repay the full debt within 90 days of the receipt of notification.
2. **Actuarial Reduction.** A debtor who is in regular payment status (annuitant) may elect a reduction of benefits spread over the life of the annuitant. Reductions greater than 40% of the monthly payment shall require the approval of the Pennsylvania Municipal Retirement Board (Board).
3. **Present Value Reduction.** If the Debtor is an Active Member, as defined in the Base Plan Document, a reduction in the Member’s Present Value of the accrued benefit is applied, equal to the amount of the Overpayment.
4. **Amortized Repayment.** If the Debtor is not currently, nor will likely ever again be, in pay status, monthly installment payments may be elected under terms agreed upon between the former member or beneficiary and PMRS. Installment periods extending beyond sixty months shall require the approval of the Board.

The debtor shall be given 15 days to respond to the first notice sent via regular and certified mail with return receipt requested to the last known address on file for the Debtor. If there is no response to the first notice, second and third notices shall be sent by regular first-class mail. Failure to respond on the part of the debtor shall result in one of the following:

1. **Active Members.** If no response is received after the third notice, and the Debtor is an Active Member, the System will institute the Present Value reduction option described above.

2. **Retirees.** If no response is received after the third notice and the Debtor is or will likely be in pay status, the System will institute the Actuarial Reduction option described above.
3. **Unrecoverable Up to \$1,000.** If no response is received after the third notice, the amount of the overpayment is no more than \$1,000, and the Debtor is not, nor will likely ever be in pay status, PMRS will write off the debt. In the case of a former member or beneficiary, PMRS will submit a write-off request to the Office of Attorney General, Financial Enforcement Section. If the write-off request is approved, the outstanding balance shall be written off, collection efforts shall stop, and the account shall be closed. However, if the former member returns to service, the debt shall be recovered from future benefits that accrue to the re-enrolled member.
4. **Unrecoverable More than \$1,000.** If no response is received after the third notice and the amount of the overpayment is more than \$1,000, and the Debtor is not nor will likely ever be in pay status, the claim shall be referred to the Office of the Attorney General, Financial Enforcement Section for attempted collection of the debt. The System shall ask the Attorney General to return the claim to the System if the debt is not collectible. If the debt is returned as uncollectible, the debt shall be permanently written off but if the former member returns to service, the debt shall be recovered from future benefits that accrue to the re-enrolled member.

If payments are made by the System to a Debtor after the Debtor's date of death resulting in an overpayment when there is no joint annuitant in payment status, the legal representative for the estate of the Debtor shall be advised in writing of the reason and the amount of the overpayment. The following repayment methods will be offered:

1. **Lump Sum.** A lump-sum payment within 90 days of the receipt of notification.
2. **Amortized Repayment.** Monthly installment payments in an amount agreed upon between the legal representative and PMRS. Installment periods extending beyond sixty months shall require the approval of the Board.

The legal representative shall be given 15 days to respond to the first notice, which shall be sent via regular and certified mail return receipt requested to the last known address on file. If there is no response to the first notice, a second and third notice, if necessary, shall be sent by regular first-class mail at 15-day intervals.

1. **Unrecoverable Up to \$1,000.** If no response is received after the third notice, the amount of the overpayment is no more than \$1,000, PMRS will submit a write-off request to the Office of Attorney General, Financial Enforcement Section. If the write-off request is approved, the outstanding balance shall be written off, collection efforts shall stop, and the account shall be closed.
2. **Unrecoverable More than \$1,000.** If no response is received after the third notice and the amount of the overpayment is more than \$1,000, the claim shall be referred to the Office of the Attorney General, Financial Enforcement Section for attempted

Pennsylvania Municipal Retirement Board Policy Statement 23 – 5 (Continued) Adopted September 21, 2023	Overpayment Policy
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collection of the debt. The System shall ask the Attorney General to return the claim to the System if the debt is not collectible. If the debt is returned as uncollectible, the debt shall be permanently written off.

In all cases, the System reserves the right to confer with its Office of Chief Counsel to request delegation from the Office of the Attorney General to pursue collection of the debt in accordance with the Commonwealth Attorneys Act. 71 P.S. § 732-204(c).

Exceptions: Exceptions to this policy shall require Board action and the Board reserves its right to make such exceptions when it deems it appropriate. Requests for exceptions must be submitted in writing to the Board with justification for the exception.

Effective Date: This policy is to be effective immediately and apply to all current Debtors, regardless of the date on which the debt was incurred.

Adoption Date: Adopted at the September 21, 2023 meeting of the Pennsylvania Municipal Retirement Board.