

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

**CORRECTIONS OF ERRORS-
OVERPAYMENTS AND
UNDERPAYMENTS**

*ADOPTED: May 4, 2017
Amended November 18, 2021*

**Per section 1.21 of the PFRS Combined Plan, Component I, made part of the Plan of Adjustment (“POA”) and Exhibit B of the State Contribution Agreement (Governance Term Sheet), Investment Committee members shall comply with all Board governance policies and procedures, including the Ethics and Code of Conduct Policies, unless such compliance would violate the member's fiduciary duties or conflict with the provisions set forth in the Governance Term Sheet.¹

PURPOSE

The Board of Trustees of the Police and Fire Retirement System of the City of Detroit (the “Board”) is vested with the authority and responsibility for the proper administration, management, and operation of the Police and Fire Retirement System of the City of Detroit (the “Retirement System”). Accordingly, the Board has a fiduciary obligation to ensure that all retirees and beneficiaries receive those retirement benefits to which they are entitled under the provisions of the Retirement System. This policy is intended to establish the Retirement System’s rules and procedures for the correction of errors in the payment of benefits to retirees and beneficiaries.

II. POLICY

A. Generally

1. The Board shall make all final determinations regarding the existence of an error resulting in an underpayment or overpayment of benefits to a retiree and/or beneficiary.
2. In instances where the Board has determined that there is an error resulting in a material overpayment or underpayment in the benefits an individual is receiving from the Retirement System, the Board shall approve an appropriate adjustment to the benefit(s) in accordance with this policy.

B. Overpayment of Benefits

1. Upon confirmation of an overpayment of benefits by the Retirement System, notification shall be provided to the affected retiree(s) or beneficiary(ies) explaining the nature and amount of the overpayment and providing repayment options as established by the Board and set forth herein.
2. Repayment of overpayments may be accomplished in each instance pursuant to the following options:
 - a. Where the overpayment has occurred via a lump sum payment or payment of an increased monthly retirement benefit over a period of time through no fault of the retiree or beneficiary, repayment, without interest, may occur at the affected individual’s option via:
 - i. lump sum payment within ninety (90) days of the date of notification to the retiree or beneficiary of the overpayment; or
 - ii. appropriate adjustment to the monthly retirement benefit payable to the retiree or beneficiary over a time period: (a) not to exceed two (2) years; or (b) the same period of time in which the monthly overpayment occurred, whichever is greater.
 - b. Retirees or beneficiaries who have received an overpayment in an amount greater than \$10,000.00, through no fault of their own, may elect to have all future

retirement benefits permanently reduced so that the actuarial present value of actual payments to the recipient is equal to the actuarial present value of the benefit to which such individual was correctly entitled. Such an actuarial adjustment shall include interest at the actuarially assumed rate and shall be adjusted over the lifetime of the retiree or beneficiary based upon the form of benefit elected at the time of retirement.

c. Where the overpayment occurred as a result of clerical error on the part of the retiree or beneficiary, repayment, with interest at the actuarially assumed rate of return, shall occur in the following manner in the sole discretion of the Board:

- i. lump sum payment within ninety (90) days of the date of notification to the retiree or beneficiary of the overpayment; or
- ii. adjustment to, or suspension of, monthly retirement benefits over a period of time determined by the Board until repayment in full is made.

d. Overpayments resulting from fraud or intentional misrepresentation shall be subject to repayment as determined by the Board and may be prosecuted to the fullest extent of the law.

e. The Board, in its sole discretion, reserves the right to amend, modify, supplement or waive any of the foregoing provisions based upon the circumstances in each instance.

3. In instances where the aggregate amount of overpayment is less than 5% of the retiree's or beneficiary's total monthly pension, repayment shall occur as soon as administratively feasible through an automatic adjustment to a future pension payment after written notification to the affected individual.

4. In circumstances requiring the election of a repayment option, the affected individual shall have forty-five (45) days from the date of notification of overpayment to select one of the indicated repayment options.

5. Failure or refusal of the affected retiree or beneficiary to select a repayment option in a timely manner will result in the overpayment being recouped in such manner as the Board in its sole discretion may determine.

C. Underpayment of Benefits

1. Upon confirmation of an underpayment of benefits by the Board, notification shall be provided to the affected retiree(s) or beneficiary(ies) explaining the nature and amount of the underpayment, and providing repayment options as follows:

- a. Retroactive lump-sum payment, without interest; or
- b. if the underpayment is greater than \$10,000.00, a permanent actuarial adjustment for the life of the retiree or beneficiary consistent with the form of benefit

elected at the time of retirement.

2. In circumstances requiring the election of a repayment option, the affected individual shall have forty-five (45) days from the date of notification of underpayment to select one of the indicated repayment options.
3. Failure or refusal of the affected retiree or beneficiary to select a repayment option in a timely manner will result in the underpayment being repaid in such manner as the Board in its sole discretion may determine.

III. REVIEW AND MODIFICATION

The Board shall review and propose any needed modifications to this Policy as it deems appropriate.

IV. EFFECTIVE DATE

This policy shall take effect immediately upon its adoption by the Board.