

## **Pension Fund Committee**

Meeting to be held on Friday, 17 September 2021

Electoral Division affected: (All Divisions);
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### **Lancashire County Pension Fund - Debt Management Policy**

(Appendix 'A' refers)

Contact for further information:

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#### **Executive Summary**

A recent internal audit report identified a need to develop a Debt Management Policy specifically for the Lancashire County Pension Fund. This has been developed with input from the LCC Debt Recovery Team, Pension Fund Finance Team and Local Pensions Partnership Administration Limited.

#### **Recommendation**

The Committee is asked to approve the Debt Management Policy set out at Appendix 'A'.

#### **Background and Advice**

An internal audit report dated June 2021 entitled "Recovery of pension overpayments" has identified the need for an agreed debt management policy as well as greater co-ordination between Local Pensions Partnership Administration Limited (LPPA), Lancashire County Council (LCC) Exchequer Services, and Lancashire County Pension Fund (LCPF) for the collection of debt.

As such the debt management policy presented at Appendix 'A' has been drafted to provide the LCPF with a framework to effectively manage the debts that arise through the administration of the Pensions function. The Debt Management Policy as presented reflects the current roles and responsibilities within the process and makes clear the levels at which decisions around write off and managing repayment plans can be made. As this is a new policy, the Pension Fund Committee is asked to approve the policy as set out at Appendix 'A'.

LCC also have a debt management policy which acknowledges that there are occasions where despite multiple attempts to recover a debt, there is a need to write off the debt because debt recovery action has been unsuccessful or not cost effective. The debt management policy for LCPF mirrors this, and in turn will assist the Pension Fund team to align procedures and processes to work with the County Council's debt recovery team to manage debt more effectively.

Each year LCPF raises over four thousand invoices to third parties totalling over £160 million. The majority of these invoices are paid, however, in the event of non-payment, a debt will need to be pursued. Unfortunately, the debt is not always recoverable and will need to be written off.

The majority of the debt relates to overpayment following death. Notification of a death of a pensioner member of the Fund does not always happen immediately. It is not always possible to stop payment of the pension after a point in the payroll month and so an overpayment can occur. Most overpayments following death are recovered from dependant's pensions without the need to raise an invoice. However, in some cases, it is necessary to raise an invoice for the outstanding amount.

Other potential debts will relate to overpayments following pension reviews, wrongly paid refunds, employer contributions, rechargeable pensions, cessation deficit payments and recharged actuarial fees.

It is anticipated that for future years the Pension Fund would look to budget between £40,000 and £50,000 as a bad debt provision<sup>1</sup>, and it is further expected that procedural notes and a recognition of roles and responsibilities should lead to more timely action being taken to tackle outstanding debt with an anticipated result of reducing this bad debt provision in future years.

The debt management policy will also be used to manage historic debts that it is not economically viable to pursue. In recent years, there has been a build-up of cases to be reviewed for write off due to a recent restructuring of the debt team and the need for a more robust policy. The estimated amount to be written off - around £130,000 - is in line with expectations and amounts that budgeted for within the bad debt provision in the budget.

In addition to the LCPF debt management policy providing the framework for robust processes, further measures have been put in place to ensure accurate regular reporting of overpayments to the Pension Fund team from both LPPA and the LCC debt recovery team. The reporting is being provided on a monthly basis to assist in debt management process. Further work is also being done around the new Oracle fusion system which is due to go live in 2022 to further improve processes, particularly around automated reminders and notices. The Pension Fund team will provide the Pension Fund Committee with an annual report around the management of overpayments.

## **Consultations**

LCC Accounts Receivable Team, Exchequer Services  
Local Pensions Partnership Administration Limited  
LCC Internal Audit Service

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<sup>1</sup> Where an invoice is authorised to be written off, a transaction takes place to write off the invoice by debiting the bad debt cost code (this bad debt code is an overall fund cost rather than an individual employer cost).

**Implications:**

This item has the following implications, as indicated:

**Risk management**

This Debt Management Policy gives a framework for efficient and effective recovery of debt and income to the Lancashire County Pension Fund, and for writing off bad debts appropriately.

**Local Government (Access to Information) Act 1985  
List of Background Papers**

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A