



Appendix A

Lancashire County Pension Fund Debt Management Policy

September 2021

Scope

This Debt Management Policy relates to debts arising in respect of the administration of the Lancashire County Pension Fund (LCPF).

Objective

This objective of this Debt Management Policy is to -

- Support the prompt, effective and efficient recovery of debt, maximising the income to the LCPF;
- Set out roles and responsibilities between the LCPF, Local Pensions Partnership Administration Limited (LPPA), who undertake pensions administration on behalf of the Fund, and the Debt Recovery Team (DRT);
- Specify which debts will not be pursued in the first instance;
- Define the process for the approval and management of write-offs; and
- Support provision of management information relating to debt and its recovery.

Debts to which this policy applies

This policy document applies to all debts and income due to the LCPF including but not limited to –

- Pension overpayment (arising following the death of a pensioner, late notification of reemployment following ill health retirement, errors in administration);
- Sums due for purchase of additional pension;
- Collection of Employer and employee contributions;
- Recharging of added years pensions; and
- Administration and actuarial fees.

Background

1. Each year the Lancashire County Pension Fund raises over 4 thousand invoices totalling over £160 million, as shown in the following table: -

	18/19	19/20	20/21
No.	4149	4569	4376
Total	£170,175,804.44	£175,411,090.36	£166,052,996.34

The vast majority of this income is related to employee and employer contributions and is recovered through normal processes. The majority of these invoices are paid, however, in the event of non-payment, a debt will need to be pursued.

2. Some debt is calculated, raised in Oracle and issued by LPPA (e.g. debt relating to members of the Pension Fund in the process of administration and payment of pension benefits, as well as collection of pension strain arising from early payment of pension, or recharging of added years pensions). Some debt is raised by the LCPF Finance team (normally in collection of employee and employer contributions, fees for administration or actuarial charges related to employer admissions and terminations or other financial reporting).

3. The LCPF pays approximately £18.5 million each month in pensions alone.
4. The majority of the debt relates to overpayments following death. Many overpayments following death are recovered from dependant's pensions, without the need to raise an invoice, no matter how small the amount. An analysis of deaths that occurred in January 2020 shows that of 137 deaths, 28 resulted in overpayments, which were recovered as follows: -

	Invoice raised	Recovery from dependant's pension	Grand Total
Amount	£4,504.86	£3,616.94	£8,121.80
Number	8	20	28

Recovery Action – Flowchart

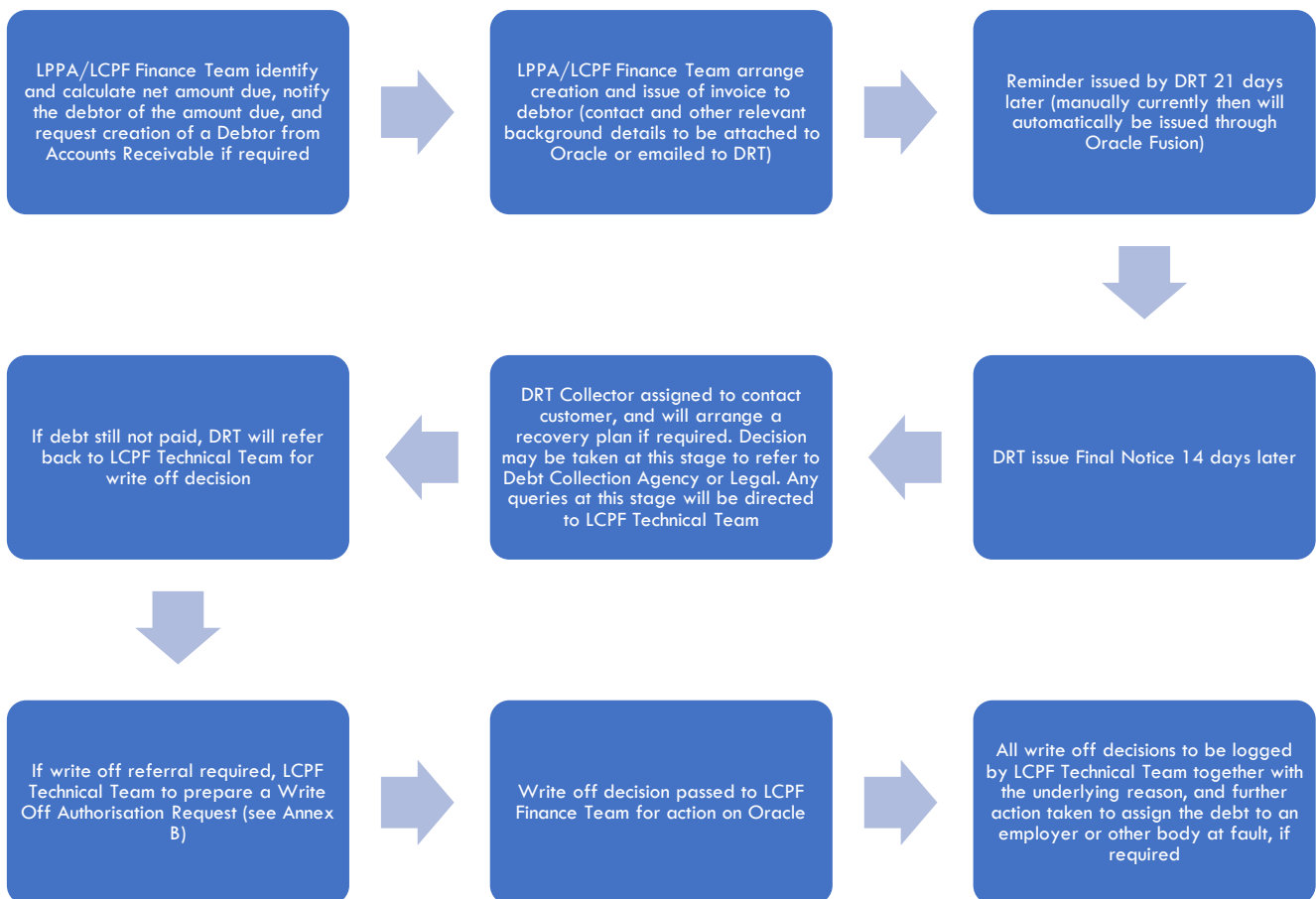
Local Pensions Partnership Administration Limited (LPPA) are the third party administrator for the LCPF.

The Debt Recovery Team are part of Lancashire County Council's Exchequer Services and are the team responsible for the recovery of income and debt due to Lancashire County Council. They also administer debt and income collection for LCPF.

LCPF Finance Team provide services to LCPF and are responsible for the collection of employee and employer contributions.

LCPF Technical Team are part of Lancashire County Council's Pension Fund Team and support the Head of Pension Fund with aspects of administration and oversight for the Local Government Pension Scheme.

The flowchart below shows the role of these key parties in the overall stages of income recovery.



Communication between Key Parties

Once the invoice has been raised, the LCPF Technical team will be the first point of contact in all cases for DRT. LCPF Technical team will liaise as appropriate with the original team who raised the invoice and will ensure that all possible avenues are investigated with regard to recovery, before requesting write off as appropriate.

To provide the best possible service to our customers, and increase the likelihood of collection of the debt, it is important that there is good communication between the teams. If the LPPA/LCPF Finance teams have contact with the debtor about an invoice, they should always put a note against the invoice on Oracle so that the DRT are aware, or alternatively send an email to the DRT mailbox. The text of any letters sent relating to payment of the debt, can also be copied to the notes on the invoice, or a copy of the letter sent to the DRT mailbox. This is especially important where there has been a delay in raising the debt.

Contact Details

The following contact details should be used for communications and referrals -

Team	Mailbox	Tel
LCPF Technical Team	LCPF.employerriskandgovernance@lancashire.gov.uk	01772 530848 01772 534826
Debt Recovery Team (DRT)	corporatedmt@lancashire.gov.uk	01772 532993
LPPA	Bereavements@localpensionspartnership.org.uk	N/A
LCPF Finance Team	PensionsFinance@lancashire.gov.uk	01772 533615

Debts that will not be pursued

Where a pensioner dies and the gross overpayment following death is less than £250, recovery will be sought from any dependant's pension which becomes payable. However, if there will not be a dependant's pension payable, recovery will not be sought.

Recovery Plan Authorisation Limits

Where a recovery plan is sought, authorisation is required as follows:

Length	Amount	Who to Authorise	Contact
Up to 3 years	Any	DRT	corporatedmt@lancashire.gov.uk
3 or more years	Up to £10k	Technical Lead (Pension Fund)	LCPF.employerriskandgovernance@lancashire.gov.uk
3 or more years	£10k and over	Head of Pension Fund	

Where authorisation is required, this should be sought by email to the appropriate person above, using the contact details shown.

Generally, the length of recovery plans will be limited to a period of up to 3 years. Only in exceptional circumstances, having regard to information provided by the DRT on the financial position of the debtor and likelihood of recovery, will a longer period be agreed.

Referral to Debt Collection Agency/Legal

LCC Debt Management Policy will be followed by the DRT unless the Debt Collector identifies exceptional circumstances, in which case the case will be referred to the LCPF Technical Team.

Write off

A debt will be regarded as irrecoverable and written off where debt recovery action is unsuccessful or where one of the following circumstances applies:

- Insolvency - Debtor is the subject of bankruptcy, individual voluntary arrangement, liquidation, company voluntary arrangement & administration order or administrative receivership proceedings or has ceased to trade or is subject to a Debt Relief Order.
- Unenforceable - Debt is over 6 years old (statute barred).
- Unenforceable – Debtor is overseas.
- Uneconomical to collect - Balance is too small for further action.
- Uncollectable where exceptional circumstances are identified e.g. Custodial sentences / vulnerable people / hardship / local authority error.
- Deceased – evidenced insufficient funds in the estate.

Further detail on these circumstances are provided in annex A.

When a debt is written off it will no longer be pursued for recovery, but a payment will be taken if the debtor voluntarily makes payment.

Should a debtor subsequently be traced after the debt has been written off, the debt will be re-instated if considered economically viable to recover and it is within the statute of limitations.

In cases where the debtor is jointly and severally liable for the debt with another party, recovery action will continue against all liable individuals and, only if this action fails, will monies be recommended for write off.

A debt will be written off subject to the actions completed and relevant authorisation being received as set out at Annex B.

In some cases, a partial write off is necessary e.g. where the debtor has paid part of the debt and not all, or if it is appropriate to offer a reduction to the debt due to delays etc. For these cases the Write Off Authorisation Request will still be completed, and, if approved, a credit can be applied to the invoice.

A debt arising from the termination of an employer in LCPF will not be written off where there is a Guarantor specified in the Admission Agreement. In these cases, the original invoice will be cancelled and a new invoice raised with the Guarantor body. Further details on how employer debt is managed following termination of an employer is contained within the LCPF Admission and Termination policy which can be viewed here:

<https://lancashirecountypensionfund.org.uk/publications/>

A debt arising from incorrect payment of a refund will not be written off (for example where a refund has been incorrectly paid that would extinguish rights to other LGPS benefits in England and Wales). If the debtor does not pay, the invoice should be cancelled, and recovery of the refund made from benefits payable when the member retires or otherwise takes payment of benefits.

Write off authorisation limits

Authorisation for individual write-offs will be requested by completion of a "Write Off Authorisation Request" as shown at Annex B, to the person specified in the table below.

Amount	Who to Authorise
Up to £25	Accountant (Pensions)
Up to £5,000	Technical Lead (Pension Fund)
Up to £50,000	Head of Pension Fund
£50,000 and over	Pension Fund committee

Analysis of written off amounts

LCPF will maintain a table of a written off amounts which will cite the underlying reasons for the write off, and any further action to be taken where there has been supplier or employer non-conformance. This information will be available for reporting to the Pension Fund Committee as appropriate.

Actions prior to requesting write-off approval

Insolvency/Bankruptcy - Upon notification of a bankruptcy, a proof of debt will be completed for the outstanding debt that is due at the date of the bankruptcy order and submitted as a claim to the trustee in bankruptcy. In the event of payment being received in full or part from the bankrupt's estate, this money will be credited back to the relevant account.

Individual voluntary arrangement - A voluntary arrangement is an alternative route available to an individual wishing to avoid the restrictions placed upon them by a bankruptcy order. It involves the debtor making an offer to all creditors, which is less than the full amount of the debt outstanding and agreeing that it be repaid over a period of time in full and final settlement. If 75% (in value) of creditors agree to the offer as an alternative to proceedings for bankruptcy, an insolvency practitioner will be appointed to administer the voluntary arrangement. In the event of payment being received in full or part, this money will be credited back to the relevant account.

Liquidation - Liquidation may either be compulsory (sometimes referred to as a creditors' liquidation) or voluntary (sometimes referred to as a shareholders' liquidation, although some voluntary liquidations are controlled by the creditors). Upon notification of liquidation, a proof of debt will be completed for the outstanding debt that is due at the date of the winding-up order and submitted as a claim to the liquidator. In the event of payment being received in full or part, this money will be credited back to the relevant account.

Company voluntary arrangement / administration order - A company voluntary arrangement is an alternative route available to a company wishing to avoid the making of a winding up order. It involves the directors making an offer to all creditors, which is less than the full amount of the debt outstanding and agreeing that it be repaid over a period of time in full and final settlement. If 75% (in value) of creditors agree to the offer as an alternative to liquidation, an insolvency practitioner will be appointed to administer the voluntary arrangement. In the event of payment being received in full or part, this money will be credited back to the relevant account.

Administrative receivership - This involves an individual being appointed by a lender, usually a bank, which holds a debenture as security over a floating charge on assets of the company, and usually takes effect where the company is in default of agreed lending terms. An insolvency practitioner will assume immediate control of the company in an attempt to sell it as a going concern. However, although remaining in occupation, no action can be taken against the receivers appointed to enforce payment of previous or on-going rate charges. In the event of payment being received in full or part, this money will be credited back to the relevant account.

Company has ceased to trade leaving no assets - On occasions, limited companies will cease to trade on the grounds of having no assets to pay an outstanding and / or on-going debts. They do not go through the formal process of winding-up proceedings, which carry a cost and have legal implications. Where this occurs, the authority could take steps to put the company into compulsory liquidation although this action is costly and is highly unlikely to secure payment. In these circumstances, if it is proven that an enforcement agent has failed to recover monies due, or identify assets on which to levy distress, a recommendation for write-off will be made.

Debt Relief Order - are aimed at those that have £15K or less of debts, assets of less than £300, disposable income of less than £50 per month and really cannot afford to go bankrupt, but need relief from their debts and creditors. The debt will be written off the system but will be monitored periodically, as the debtors circumstances must remain the same for a period of 12 months in order for the DRO to remain in place.

Unenforceable - Certain debts will fall outside of legal jurisdiction either because the debtor is overseas, or six years may have passed since recovery action had been instigated against a debtor and the debt was last acknowledged. If a debtor is overseas and contact in writing has failed to result in payment or an arrangement to pay, a recommendation for write off will be made. In cases where six years may have passed since recovery action had been instigated against a debtor and the debt was last acknowledged, the whole debt will be submitted for write off.

Uneconomical to Collect - Where the outstanding balance is £25.00 or less, the Credit Control Debt Team will check the status of these cases and, where appropriate will automatically write these off.

Uncollectible Debts - Where sufficient evidence has been gathered regarding the debtors current personal or financial circumstances that would inhibit recovery of the debt, the debt can be written off at the discretion of LCPF.

Debts that have arisen because of local authority or LPPA error - If a debt has arisen as a result of a local authority or LPPA error, the possibility of recovering the debt would be considered in the first instance. If that proves impossible (i.e. legislation prevents recovery, or the fault is not of a debtors doing) the debt will be written off.

Deceased - Where a debtor has died and the estate is insolvent, the debt will need to be written-off. A letter from the executor confirming there are no assets from which to discharge any outstanding liability will be taken to determine this. Before considering the account for write off, the following steps for all deceased accounts will be followed:

- Initial deceased letter
- Second deceased letter
- Passed to debt recovery for actions such as: will & probate search, contacting Solicitors and professions, contacting NOK recorded.

If contact or recovery has not been successful within 6 months of the date of death, the likelihood of debt repayment is reduced significantly and at this point write off should be considered.

CCJ obtained – no enforceable recovery options available i.e. No property, 3rd Party debt order not applicable due to no funds/joint account and enforcement officers unable to recover debt.

Write Off Authorisation Request

Once completed as a word document this request should be saved as a pdf before sending to the appropriate authoriser by email. Authoriser to complete decision and email direct to Pension Finance team to take appropriate action.

Member Name		
NI Number		
Invoice Number		
Employer Name		
Debtor Name and address (if different from Member Name)		
Details of Invoice		
Amount of original invoice		
Date of Invoice		
Amount remaining		
Timeline of key events		
Actions taken so far	Reminder issued	Yes/No
	Final notice issued	Yes/No
	Debt recover team contact	Yes/No
	Debt Collection Agency	Yes/No
	Legal	Yes/No
	Other (specify)	
Reason for write off request	<input type="checkbox"/> Debt recovery action is unsuccessful <input type="checkbox"/> Insolvency <input type="checkbox"/> Debt is over 6 years old <input type="checkbox"/> Debtor is overseas <input type="checkbox"/> Balance is too small for further action (<£25) <input type="checkbox"/> Uncollectable - Custodial sentences / vulnerable people / hardship / local authority error <input type="checkbox"/> Deceased – evidenced insufficient funds in the estate <input type="checkbox"/> Cannot trace debtor	

Date of write off request	
Requested By	
Decision	<input type="checkbox"/> Write off Invoice in Full <input type="checkbox"/> Reduce invoice by £ _____ <input type="checkbox"/> Further information Required (specify)
Decision taken by	
Date of decision	
Comments by authoriser on any underlying issues including accountability to be investigated/raised at PFC	