



WEST MIDLANDS PENSION FUND

DEBT RECOVERY POLICY

Introduction

The West Midlands Pension Fund is one of the largest UK Pension Schemes managing the pension benefits for over 330,000 members working in collaboration with over 800 employers. The Fund owes a duty of care to its members and employers in the management of monies received to ensure they are appropriately managed and invested securing the ability to pay pension benefits as they fall due over the long term

Under the Local Government Pension Regulations (as amended), the Fund has a duty to ensure that it is not incurring any unnecessary cost, that it is safeguarding monies received and that all monies paid out are accurate and due to be paid.

The Fund has a duty to monitor and manage outstanding debts, however arising, to ensure the recovery of monies in a cost efficient and timely manner.

Purpose

The purpose of this policy is to ensure compliance with regulatory and legislative requirements and provide assurance to the Fund's stakeholders that it has effective processes and controls in place for the recovery of debt, and provide a framework by which debt recovery processes will operate. It aims to provide assurance that:

- The Fund manages debtors in a cost-effective manner and conducts fair recovery practice in the pursuance of all debts.
- Fair and equal consideration is given to individual customer circumstances and their ability to pay; to enable identification of those who will not pay and those who cannot pay.
- The Fund is committed to maintain the levels of income collection and to reduce the level of arrears, bad debt and write offs.
- All debts are managed in accordance with legislative provisions and best practice
- All employers are protected from increased costs associated with unpaid debts.

Debt Recovery

Whilst the Fund has a variety of income sources there are three overarching categories where outstanding debt could arise and result in the need for debt recovery action - employer, member, and other debtors. Consequently, there are a range of methods used to support debt recovery.

In all cases debtors will be monitored through the internal governance structure within the Fund to ensure the proactive identification of overdue payments. The Fund will seek to avoid enforcement action, working with the debtor to agree terms for repayment which are appropriate to their circumstances. However, the Fund reserves the right to take appropriate enforcement actions to ensure the recovery of debt and protect the financial position of the Fund.

In considering any recovery action, the Fund will assess the value of the amount to be recovered against the cost and period of recovery. Where it is judged to be uneconomical to pursue or recover monies, the Fund may determine to write off the debt to prevent further costs from being incurred.

In all cases the principles within the Fund's Pensions Administration Strategy, Employer Engagement Roadmap, Employer Risk Management Framework, Safeguarding policies, and Customer Engagement Strategy will be followed.

Principles

An overview of the principles for approaching each category of debt is as follows:

Outstanding Contributions

- The Fund collects employee and employer pension contributions in accordance with any prevailing actuarial certificate in accordance with the Regulations, to fund the provision of ongoing and future retirement benefits for all members.
- The Fund has adopted a Pension Administration Strategy which outlines the targets and performance metrics it uses for ensuring the timely and accurate payment of contributions by scheme employers.
- The Fund monitors the receipt of contributions on a monthly basis managing poor performance under its adopted Employer Engagement Roadmap.
- Adhering to the overarching principles within the above policies, the Fund will seek to retrieve employer-related debt at the earliest opportunity available whilst in consideration of other factors, such as the nature of the debt, the employer's ability to cover the debt now and in the future, and the reasonableness of obtaining payment versus the cost of doing so (this will extend to the quantum of the debt, the timeframe for payment, and other extenuating factors).

Services Provided

- The Fund provides services to members to enable their management of their pension benefits. These services are, in the main provided free of charge, however there are some for which the Fund charges. The Fund also charges for certain services provided to its employers (and other external bodies) where such services are provided on a discretionary basis and where such service are not a statutory requirement under LGPS Regulations.
- In both instances, the Fund will seek to agree fees in accordance with fee schedules, and where possible receive payment in advance.

- The Fund will issue invoices in a timely manner. Invoices are payable within 30 days with debtor levels reviewed on a monthly basis. Timely payment reminders, including the consequences of not paying, will be sent to debtors following an escalation process and enforcement action will be considered within internal governance structure where appropriate.

Recovery of Benefits Paid

- The Fund seeks to ensure the correct and timely payment of pension benefits to its members based on the information available at the time of payment. However, there may be some circumstances where payments are made which are not due to an individual member.
- In these circumstances the Fund will investigate the cause of the unentitled payment and assess the fairness of any recovery action.
- Where a debt is identified, and subject to the findings of the investigation, the Fund will seek immediate recovery of monies due.
- Where this is not possible or appropriate and on the assessment of individual circumstance, the Fund may enter into payment arrangements for the recovery of monies due based on the debtor's circumstances. In all cases ongoing benefit payments would be paid at the correct amount, and subsequently adjusted where necessary to facilitate the repayment of any debt.
- Where possible, the Fund will seek recovery of monies due within the same financial year. Arrangements which extend beyond the financial year will be reviewed through the internal governance structure.
- The Fund reserves the right to charge interest on monies subject to a repayment plan.
- Arrangements to pay arrears will be monitored on a regular basis so that consideration of changes in a customer's circumstances can be considered with the aim of decreasing the time required to complete the repayment.

Write-Offs

In all scenarios of debt recovery, the Fund has the ability to exercise discretion in the decision to recover monies due. If the pursuit of monies due is likely to cause significant distress (including financial distress) or harm to an individual or organisation, the Fund may seek to write off the debt and not recover.

Similarly, where the chance of successful recovery is low, the cost of recovery exceeds the benefit of recovery, or all legal avenues for recovery have been exhausted, the Fund may seek to write off the debt.

In all circumstances the write off will be agreed and documented through the internal governance structure. Additionally, all items over £10,000 will require the approval of the Head of Finance, and all items over £50,000 will require the approval of the Executive Director of Pensions. A summary of all write-offs made will be reported to the Pensions Committee on a quarterly basis with details of write off over £100,000 specifically identified.

Monitoring and Review

This policy is reviewed on an annual basis and periodically where required.

The Fund reports to Pensions Committee on a quarterly basis the write offs agreed at officer level.

Supporting Documents

1. Pension Administration Strategy
2. Employer Engagement Roadmap
3. Customer Engagement Strategy
4. Funding Strategy Statement
5. Employer Risk Management Framework
6. Safeguarding Policies

Version Control

Version	Author	Document Title	Reviewed By	Adopted On
1.0	Head of Governance, Risk and Assurance	Debt Recovery Policy	Pensions Committee	21 September 2022