

TITLE:	Scheme Sanction Charge
AUTHOR:	Mark Kimberley
TELEPHONE NUMBER:	
EMAIL ADDRESS:	Mark.kimberley1@notts.police.uk
DECISION OR INFORMATION:	Information
DATE RECEIVED:*	28/02/2024
REF:* (to be inserted by the OPCC)	2024.032

EXECUTIVE SUMMARY:

The purpose of this decision is to propose inform the PCC of the decision of the Scheme Manager for the Nottinghamshire Police Pension Scheme (the Chief Constable), to:

- Cease levying the 15% Scheme Sanction Charge with effect from 1st February 2024
- To undertaking refunds with interest to those scheme members that a previous charge had been levied by the force.

The impact of these decisions will place a financial burden on the Chief Constables budget for the current year 2023-24 that is estimated to be in the order of £500,000 to £750,000. This cost can be accommodated within the total of the allocated budgets to the Chief Constable in this year, although will reduce the expected underspend previously reported in the revenue monitoring reports.

On-going impacts are estimated to be £70,000 p.a. and can be accommodated within the 2024-25 budget allocations.

INFORMATION IN SUPPORT OF DECISION: (e.g., report or business case)

A scheme sanction charge may arise when a police officer commutes part of their annual pension in order to take a higher lump sum payment on retirement, where this happens and the payment is 25% or higher than their individual pension pot then a sanction charge is applied to the scheme manager. The decision is for the retiree, but this has impact on the scheme manager, who has no control over the event. It is thought that for this reason many, including ourselves, passed this back to the retiring officer.

The Force undertook to pass scheme sanction charges on to retiring police officers with effect from 1st April 2011, at this time scheme rules, pension legislation, and HMRC guidance were unclear, although the likelihood of challenge to this decision was known at the time.

Some Forces chose not to do this, and over time more and more forces stopped passing the sanction charge on to retiring officers. Following national advice to the NPCC (National Police

Chiefs Council) this force took the decision to cease passing on the charge with effect from 1st February 2024 in January of this year.

At a national level NARPO (National Association of Retired Police Officers) have been advising any members that had been subject to a scheme sanction charge to contact their respective Pensions Scheme Manager to request a refund of the charge and interest, as they believe that the imposition of the charge back to members was not allowable under legislation in place at that time.

NARPO's view of the legislative position is similar to that shared with the NPCC by the national advisor on police pensions, although the position has not been challenged in the courts.

The Chief Constable's CFO, who leads on the day-to-day management of the pension scheme on the Chief Constables behalf, has reviewed the national advisors position and has discussed the position with our own legal advisors and concluded that the Sanction scheme charge should cease and that the historic position would be difficult to defend against if challenged. The decision to remove the Scheme Sanction Charge with effect from 1st February was made by the Chief Constable.

Following the action by NARPO, and the subsequent number of requests for refunds from former police officers, it was agreed that historic cases should also be proactively reviewed and refunds with interest be made.

During the period in question, i.e., from 1st April 2011 to date, over 1200 police officers have retired and it is estimated that over 300 have been affected by the scheme sanction charge. There are still historic manual records to be examined for the period 1/4/2011 – 31/3/2014 so an exact number and value cannot be calculated at this time, but it is expected to be in the order of £500,000 to £750,000.

This cost can be accommodated within the total of the allocated budgets to the Chief Constable in this year. On-going impacts are estimated to be £70,000 p.a. and can be accommodated within the 2024-25 budget allocations. This will however impact on the potential use to put additional funding towards the Direct Revenue Funding for capital, or placing additional funds in specific ear marked reserves e.g., the Medium-Term Planning Reserve.

FINANCIAL INFORMATION

All relevant financial information is contained in the above report.

Signature:
Chief Finance
Officer



Date:

23.05.24

Is any of the supporting information classified as non-public or confidential information?**

Yes

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No

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If yes, please state under which category from the guidance**

DECISION:

To note the decision of the Chief Constable in respect of the removal of the Scheme Sanction Charge with effect from 1st February 2024, and the subsequent decision to refund historic charges.

OFFICER APPROVAL:

I have been consulted about the proposal and confirm that the appropriate advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner.

Signature:
Chief Executive



Date:

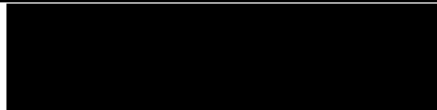
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DECLARATION:

I confirm that I do not have any disclosable pecuniary interests in this decision, and I take the decision in compliance with the Code of Conduct for the Nottinghamshire Office of the Police and Crime Commissioner. Any interests are indicated below:

The above request has my approval

Signature:
Nottinghamshire Police
& Crime Commissioner



Date:

30/5/24