


**CHIEF CONSTABLE (CC) FOR LINCOLNSHIRE
REQUEST FOR DECISION**

REF: [LEAVE BLANK]
DATE: [TO INSERT] 2018

SUBJECT		POLICE PENSIONS – ANNUAL ALLOWANCE TAX CHARGES – VOLUNTARY SCHEME PAYS
REPORT BY	Force Chief Finance Officer	
CONTACT OFFICER	Sharon Clark	
EXECUTIVE SUMMARY AND PURPOSE OF REPORT		
<p>The Chief Constable is the Scheme Manager for the Police Pension Scheme, for the officers under his direction and control. This report outlines the circumstances in which Mandatory Scheme Pays applies to tax charges in respect of excess pension savings. It proposes the introduction of Voluntary Scheme Pays in certain circumstances where Mandatory Scheme Pays does not apply.</p>		
RECOMMENDATION	<p><i>It is recommended that the Chief Constable makes available Voluntary Scheme Pays for the Police Pension Scheme, for those affected officers (with the exception of the CC), in respect of the 2016/17 Annual Allowance tax charges in the following circumstances:</i></p> <ul style="list-style-type: none"> • <i>Members subject to tapered Annual Allowance; and</i> • <i>Transitional Members – Pension with growth in 2 schemes exceeding the HMRC Annual Allowance Limit.</i> 	

CHIEF CONSTABLE FOR LINCOLNSHIRE	
I hereby approve the recommendation above, having considered the content of this report.	
Signature:	 a
Date:	28/2/18

A. NON-CONFIDENTIAL FACTS AND ADVICE TO THE CC

A1. INTRODUCTION AND BACKGROUND

1. The Annual Allowance is the amount of tax-free pension savings that UK taxpayers may make in any one pension input period. Where an individual exceeds the Annual Allowance for pension savings, the individual may be liable to pay a tax charge to HMRC on the excess amount.
2. Pension Schemes must make available a 'Mandatory Scheme Pays' (MSP) facility in accordance with section 237B of the Finance Act 2004. If a member of a

pension scheme makes a MSP election, the tax charge will be paid by the scheme and the member's pension benefits will be reduced upon retirement.

3. In certain circumstances, members may not be able to elect for MSP to meet the Annual Allowance tax charge because the conditions for MSP have not been met. The conditions for MSP to apply are that:
 - the Annual Allowance has been exceeded in the pension scheme for which the Scheme Pays election is made; and
 - an Annual Allowance tax charge exceeding £2,000 has been triggered; and
 - the relevant time limits for making an election have been met.
4. Some members of the Police Pension Scheme, although liable to a tax charge, may not meet the condition that the Annual Allowance has been exceeded in the pension scheme for which the Scheme Pays election is made.
5. Officers may have membership of the 1987 Police Pension Scheme or the 2006 New Police Pension Scheme together with membership of the 2015 Police Pension Scheme. These officers will be members of two pension schemes and although the combined growth in pension benefits may exceed the Annual Allowance, the growth within an individual pension scheme may not exceed the Annual Allowance and so MSP would not apply.
6. Although the Annual Allowance may not have been exceeded, a member may still be liable for a tax charge as a result of exceeding the Tapered Annual Allowance which was introduced from 6 April 2016. MSP does not apply to tax charges incurred as a result of exceeding the Tapered Annual Allowance.
7. It is possible (under HMRC rules) for schemes to adopt a Voluntary Scheme Pays (VSP) approach for those individuals not meeting the conditions of MSP.
8. The Police Pension Scheme does not make provision for VSP, although the Home Office has indicated that it intends to bring forward regulations to allow for VSP in the Police Pension Scheme in April 2018. The Home Office is not in a position to mandate VSP be offered.
9. An extract from the Home Office's advice to the National Police Chiefs' Council (NPCC) is set out below.

"Having made our position clear, it remains open to scheme managers to offer VSP at their own discretion. If scheme managers felt that the risk was manageable and proportionate during the period before regulations are made, they might take the view that it was appropriate to offer VSP. I appreciate you have concerns about different positions being taken by scheme managers. It remains open to the NPCC to take advice centrally and offer guidance to scheme managers on this, if you felt that was appropriate."

10. The risk in offering VSP in advance of legislative provision includes the possibility of dispute at the time of officer retirement on the basis that VSP is not allowable within Police Pension regulations. This risk can be mitigated by ensuring that any election to use VSP includes an acceptance of the impact on future benefits.

A2. LINKS TO POLICING PLAN AND CC'S STRATEGIES/PRIORITIES

The recommendation supports the principle of Policing that Works set out in the Community Safety, Policing and Criminal Justice Plan for Lincolnshire April 2017 – March 2021. The principle includes concern for the welfare of Lincolnshire Police officers and staff. The provision of an option to elect for Voluntary Scheme Pays in the Police Pension Scheme has the potential to improve the welfare of the officers to whom it applies.

B. FINANCIAL CONSIDERATIONS

There are no direct financial impacts. The costs of paying an individual's tax charge will be met by a commensurate reduction in the individual's retirement benefits.

C. LEGAL AND HUMAN RIGHTS CONSIDERATIONS

[This should include the legal powers the CC has for making the decision]

Whilst there is no legislative provision for the introduction of an option to elect for Voluntary Scheme Pays, the Home Office has indicated its clear intention to introduce legislation when the legislative timetable allows.

D. PERSONNEL AND EQUALITIES ISSUES

[This should include a copy of the Equality Impact Assessment, if required]

An option to elect for Voluntary Scheme Pays would apply to all members meeting the conditions.

E. REVIEW ARRANGEMENTS

An option to elect for Voluntary Scheme Pays would apply for the 2016/17 pension input period only.

F. RISK MANAGEMENT

The risk in offering the option to elect for Voluntary Scheme Pays in advance of legislative provision includes the possibility of dispute at the time of officer retirement on the basis that VSP is not allowable within Police Pension regulations. This risk will be mitigated by ensuring that any election to use VSP includes an acceptance of the impact on future benefits.

G. PUBLIC ACCESS TO INFORMATION

Information in this form along with any supporting material is subject to the Freedom of Information Act 2000 and other legislation. Part 1 of this form will be made available on the CC's website within one working day of approval. However, if release by that date would compromise the implementation of the decision being approved, publication may be deferred. An explanation for any deferment must be provided below, together with a date for publication.

Is the publication of this form to be deferred? Yes / No

If Yes, for what reason:

Until what date:

Any facts/advice/recommendations that should not be made automatically available on request should not be included in Part 1 but instead on the separate part 2 form.

Is there a part 2 form? Yes / No

If Yes, for what reason:

DECLARATIONS

	Initial to confirm
Originating Officer: The CC's Chief Finance officer recommends this proposal for the reasons outlined above	se
The DCC/ACC has been consulted on this proposal	cw.

OFFICER APPROVAL

Assistant Chief Officer

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. Consultation outlined above has also taken place. I am satisfied that this is an appropriate request to be submitted to the Chief Constable for Lincolnshire.

Signature:

Andrew 

Date: 21/2/18