Pension Update

As you are probably aware the current Annual and Lifetime allowance taxation rules are causing significant problems for consultants across the UK. Under current tax and pensions regulations an increasing number of consultants face an effective marginal rate of well over 100%-meaning they are effectively working for nothing for additional hours - a powerful disincentive to working longer hours or to continue working until expected retirement age. Consultants may also suffer a reduction in the value of their pension to meet “Scheme Pays” charges incurred through pay, which may be this non-pensionable.

The detailed modelling we have undertaken demonstrates that for some consultants they will be servicing a scheme pays loan of almost £1million if they were to continue working until state pension age and repeatedly use the scheme pays option to pay their annual allowance tax charges.

These charges are having a detrimental effect on the system within which we work – and they are likely to have a greater effect in future - as consultants are financially penalised, they are less and less willing to cover gaps in rotas, less willing to undertake waiting list initiative work and less willing to do additional PAs. Patients and other healthcare colleagues are experiencing the consequences of a reduced consultant presence as these impacts are then felt hospital wide.

This is clearly an unsustainable situation and the BMA have been working extensively on behalf of consultants to secure a change to the current taxation rules.

Given the amount of work that is going on in this area the following provides a summary and update of progress to date.

1. Lobbying of government and associated stakeholders

The BMA has met with a number of key groups to explain the implications of the current annual and lifetime allowance taxation rules on consultants and the potential impact that increasing awareness amongst the consultant body will have on capacity within the NHS. At the time of writing we have presented to NHS Employers, the Department of Health and Social Care, NHS Providers, and representatives from NHS England and NHS Improvement. We have been supported in this work by Dr Tony Goldstone and the pension modelling tool.

It is fair to say that all of those we have spoken with, and NHS Employers and NHS Providers in particular, were completely shocked by what they heard and shared our concerns about the sustainability of NHS services.

Our key aim is to achieve a fundamental change in the current AA and LTA taxation rules. A change to the AA rules is the priority given they are so difficult to plan around. However, we have to acknowledge that this change is unlikely to happen swiftly, and we have been lobbying the Treasury to explore this with us. We have also requested a number of immediate short and medium-term solutions to mitigate the impact whilst taxation rules around pensions are revised, which include:

- The production of joint guidance with NHS Employers and devolved administrations regarding the recycling of all employer’s contributions to NHS staff that are forced to opt out of the scheme as a result of the current taxation rules. Crucially this should be for those leaving the scheme either temporarily or permanently.
• The development of a UK wide scheme to allow NHS staff who have been forced to opt out of the scheme ongoing access to the death in service and ill-health retirements benefits (for a fee) that would be lost if you opted out of the scheme.
• Smoothing of the current incremental pay scales across the nations that lead to large spikes in pension growth and trigger large Annual Allowance tax bills. This would be cost neutral to the tax-payer and pay neutral to the employee even though increments would be paid over several years. This would lead to less AA tax overall and with less fluctuation between years.
• As above an urgent meeting with Treasury to discuss fundamental change to the AA taxation rules.
• This information was submitted to the DDRB a last month and has been re-presented at the oral evidence session shortly after. We have clearly stated the risks of the pension changes in the DDRB and have asked the DDRB to recommend both scrapping both the Annual Allowance in Defined Benefit schemes and increasing the Lifetime Allowance.

2. **Lobbying at employer/LNC level**

We are aware of a number of trusts that have implemented local polices for the recycling of employers’ pension contributions. The details of these have been shared with LNC Chairs. We have also sent a freedom of information request to all trusts in the UK and identified 7 trusts with similar policies, there may be other trusts that have informal arrangements or have had such arrangements in the past. In addition, the BMA has produced a model local policy for employers to use in trusts that don’t yet have a policy. The guidance can be found on this page –

[https://www.bma.org.uk/advice/employment/pensions/annual-allowance](https://www.bma.org.uk/advice/employment/pensions/annual-allowance)

We are aware that some employers have been resistant to implementing such a policy, but it should be noted that in a recent briefing from NHS Employers to Trusts they have endorsed a similar approach.

3. **Increasing awareness amongst members**

We are fully aware that we need to inform members of the detail of the challenges the current system of pension taxation poses to them, and the wider NHS, as we go into a new tax year. Consequently, there will be a number of things made available over the coming weeks. These include:

• A finalised slide set to be made available to LNC chairs and Regional Consultants Committees to present locally. This will also be available on the BMA Website.
• A BMA version of the Pension Modelling Tool. This is currently undergoing actuarial testing and will be available once it has been through this process. Initially this will be for consultants in England on the 1995/2015 schemes only. However, amended versions for the devolved nations, 2008 pension scheme and other branches of practice will follow in due course.
• Enhanced pension support for BMA members. We are currently discussing how best to support the pensions department in handling any increase in queries that may result from the release of this information. Already calls to BMA pensions have increased by 90% over the last few weeks.

4. **Increasing awareness amongst MPs and the public**

We have actively engaged with the media to raise public awareness of the above issues and our recommended solutions, and been evident within the print, radio, television and social media.
Following lobbying by BMA members of their MPs, a Westminster Hall debate took place on the effect of the tapered annual allowance on the NHS pensions scheme on the 2nd April and was followed by the first of the Prime Minister’s Questions in parliament the following day. The BMA had developed and disseminated a detailed briefing paper on this to all MPs.