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Rt Hon Matt Hancock MP
Secretary of State for Health and Social Care
Department of Health and Social Care
39 Victoria Street
London
SW1H 0EU

27 February 2021

Dear Secretary of State,

RE. Budget 2021/22: Lifetime Allowance freeze – impact on the NHS workforce

I write to request an urgent meeting with you and the Chancellor, to discuss our deep concerns regarding recent reports in the media that Government are considering a freeze to the pension lifetime allowance, by removing it from indexation, in the upcoming Budget. As you know, from your previous correspondence, with the BMA regarding the NHS Pension Scheme, any change to the lifetime allowance or the annual allowance can have a profound, and often unforeseen impact on the NHS workforce. Indeed, only last year the Chancellor needed to take urgent action to mitigate the effects of the tapered annual allowance on the NHS.

Both the available annual allowance and lifetime allowance, including its annual indexed linked increase, are carefully considered by senior NHS workers when determining their working patterns for the following year, and ultimately their retirement plans. We know from our member survey of 6,170 GP and hospital doctors, that 31% in 2019 reduced their hours due solely to pension tax charges, and 57% were considering retiring early. We are also aware through our regular surveying that this is a longstanding problem which is worsening over time. Given that doctors are certainly the largest group in the public sector affected by pensions taxation, coupled with the fact they also have the least amount of flexibility to mitigate these pension taxes, their only real option is to reduce their working hours or retire early.

Because of chronic and historic understaffing in the NHS, no doubt worsened by the impact of COVID-19, many healthcare workers are currently working significantly above and beyond their expected hours. This situation will clearly continue as the NHS now looks to reduce the significant backlog which has arisen due to the pandemic. We are gravely concerned that even with current pension taxation legislation and existing indexed lifetime allowance this is already a potent driver towards less than full time working and early retirement. Any further detriment to the lifetime allowance, such as that reported in the media, could lead to a catastrophic exacerbation of this already precarious workforce situation. We are especially concerned given the impacts of COVID-19 and the absolute necessity to maintain as many doctors in the workforce as possible.

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Given that an exemption to the punitive effects of pension taxation has been agreed this week for the judiciary, who face very similar issues with recruitment and retention, I would ask that you urgently discuss with the Treasury offering a similar tax unregistered defined benefit pension scheme for those affected in the NHS.

As you know, the NHS faces an extremely challenging period for the foreseeable future as it desperately tries to ensure that those patients whose care has been impacted by COVID-19 can receive the high-quality care that they deserve. Not only do doctors need a long-term solution to mitigate the current punitive pension taxation system, such as the solution offered to judges, it is imperative that any policies introduced in the interim do not make the current situation any worse. We are deeply concerned that if the Treasury press ahead with this policy, it will result in large numbers of doctors retiring early or working less than full time, at the very time patients will need them the most.

I look forward to receiving your reply and would be grateful for an urgent joint meeting with the you and the Chancellor as soon as possible. If you require any further information in the meantime, please do not hesitate to get in touch.

Yours sincerely

A handwritten signature in black ink, appearing to read 'V Sharma', with a stylized flourish at the end.

Dr Vishal Sharma
Chair, BMA Pensions Committee