Pensions committee  
podcast transcript ARM2021

**Vish Sharma, pensions committee chair and Dr Krishan Aggarwal, pensions committee deputy chair**

**Vish Sharma**

RB, it has been incredibly busy period for the pensions committee over the last few years. Together with your deputy chairs Dr Tony Goldstone and Dr Krishan Aggarwal, we will update you on the work we have been doing to address the key issues facing members.

When we secured the increase in the threshold income and the adjusted income levels early last year, little did we know just how challenging things would become. Whilst by no means a long-term solution to the pensions taxation problems, this change that came about due to intense lobbying from the BMA proved crucial. It meant that the vast majority of doctors were no longer affected by the tapered annual allowance and were not limited to quite the same extent as previously in taking on extra work – something that was essential with the arrival of COVID-19.

However, clearly the issues of pension taxation are not resolved and there is much work  
to do.

We still face a pensions taxation system that is not only unfair but one that leaves doctors will little option but to retire early or reduce the work they do for the NHS. Indeed, the number of doctors taking voluntary early retirement has increased nearly fourfold since the Government started meddling with pensions and pensions taxation.

It is scarcely believable that despite all the warnings, all the work that doctors have done over the last 18 months and the huge backlog of work to come, that the Chancellor took the decision to freeze the lifetime allowance this year. Our survey clearly demonstrated that 71% of members responding would retire even earlier and 61% would reduce their hours because of these changes. Now, more than ever, we need to retain doctors and we continue to lobby for this ill-conceived decision to be reversed.

We have worked extensively to support members across all branches of practice and all nations with their pensions. We have secured access for GPs and medical academics in England and Wales to the 2019/20 NHS England and Wales annual allowance repayment scheme. We have supported armed forces doctors with respect to ‘pseudogrowth’, essentially being taxed on a pension growth that is subsequently lost. We continue to support colleagues across all nations to access employer recycling schemes, have run webinars to educate our junior doctors about their pension and of course run a national programme of webinars about the McCloud age discrimination case and what it means for your pension.

Indeed, last summer the Government launched its consultation on McCloud and we produced a robust response. We were pleased that the Government accepted our key recommendation of enabling deferred choice - this means that members affected by these changes will be able to choose whether they wish to be a member of the legacy scheme (the 1995/2008 scheme) or the reformed scheme (the 2015 scheme) at the point of retirement rather than next year. This ensures that they can make the choice based on actual rather than predicted pension values. However, we were disappointed by the Government’s approach to addressing contingent decisions, such as those who may have retired early or opted out of the scheme as a result of being moved across to the 2015 scheme and continue to lobby for the automatic right to purchase lost pension rather than eligibility being assessed on a case by case basis.

We have also submitted robust responses to a number of important Government consultations, including changes to the minimum pension age and changes to the cost cap process and discount rates, and will continue to fight on your behalf if we think these proposed changes will be detrimental to you.

We have also been doing a lot of work to highlight the ridiculously high cost of pensions for doctors compared to other workers and have been lobbying the Government and scheme advisory boards to change this. For England and Wales, Andy Blake, our head of specialist member relations and local member engagement, has been representing the BMA at the Scheme Advisory Board. Dr David Bailey, chair of Welsh council and member of the pensions committee, has been representing the BMA at the NHS Pensions Board, and Dr Tony Goldstone, deputy chair of the pensions committee, has been representing the BMA at the Technical Advisory Group. Dr Alan Robertson represents members at the Scottish Scheme Advisory Board, and Dr Anne Carson represents members in Northern Ireland. I’m very grateful to them all for their tireless work highlighting the difficult position that doctors and other high earners in the NHS find themselves in with regards to their pensions.

Indeed, modelling done by the BMA pensions committee and our actuarial partners, which was led by Dr Tony Goldstone, lays bare the reality we face. The NHS pension scheme not only has one of the highest average contribution rates across the public sector, but it also has the steepest tiering with the lowest contribution rate set at 5% and the highest rate at 14.5%. This compares to the highest rate for similar earners in the civil service of 8%. A large part of this tiering was to adjust for higher rate income tax relief, however the tiering is so steep that the top rate removes this benefit of income tax relief on employee contributions in their entirety.

Despite this, doctors are then subjected to the annual allowance and lifetime allowance, both of which are designed to remove tax relief – tax relief that in the NHS for higher earners does not exist in the first place. It is this multi-layered system of taxation that compounds, and for many senior doctors, results in the scheme costing more than the benefits they receive, leaving them with little option but to retire early.

In our modelling we looked at comparative costs, inclusive of all applicable taxes, not just income tax relief, for a foundation year 1 doctor starting in 2020 compared to new starters in the Agenda for Change bands. The results were staggering – the doctor would pay a net rate of 43% of their lifetime total income for their pension, if they remained a scheme member until state pension age. Further modelling looked at the cost per pound of normalised pension, demonstrating that a doctor pays nearly ten times more than a lower paid worker. Whilst we fully accept that some cross-subsidy between higher and lower earners in the NHS pension scheme is reasonable, a ten-fold difference is clearly unacceptable.

We therefore lobbied very strongly for the contribution rate structure in the NHS to be much flatter. The Government are considering our responses and in England at least, while we don’t think they’ll accept an entirely flat structure, we are optimistic that they will reduce the top contribution tiers. We’ve also been lobbying very strongly against contribution rates being based on whole-time equivalent pay rather than actual pay. This is grossly unfair on our part-time colleagues and locum GPs, who are subject to annualisation, as this results in them paying more for the same amount of pension. Again, we are hopefully that the Government has listened to our arguments and will change this practice. The Government intends to consult on these changes in the Autumn.

But fixing the contribution structure is only one part of the solution. We have been highlighting to Government that they have been sleep walking into a workforce crisis. We have a perfect storm of an exhausted burnt out workforce, pensions taxation policies that penalise those working more hours or working for longer and the McCloud remedy that will see tens of thousands of members revert to their legacy scheme, a legacy scheme that for many will have a retirement age of 60, compared to 67 in the reformed scheme.

These factors will push people to retire early or leave the NHS all together. Modelling done by the BMA suggests that around 13% of consultants and GPs are between the ages of 55-60. These are at high risk of retiring over the next 18 months as the McCloud remedy is enacted. A separate survey by the Royal College of Physicians demonstrated that 27% of consultants plan to retire in the next 4 years, with 42% of those retiring in the next 18 months. At a time when we are faced with already high vacancy rates, high levels of burnout and the biggest waiting list on record, the Government must act now to address the issues.

We have demanded the Government immediately introduced a mandated scheme for the recycling of the full value of employer pension contributions. In the medium term, they must introduce a tax unregistered top up scheme for higher earners in the NHS. The Government have already demonstrated this is possible by implementing a similar scheme for the judiciary when they faced similar problems with recruitment and retention. Under such a scheme, judges don’t benefit from income tax relief on their pension contributions. As a result they are not subjected to the annual or lifetime allowance on their pension savings. A similar scheme would allow doctors to get back to caring for patients without the fear that would incur significant and unexpected tax bills by doing so. We will continue to lobby Treasury to implement these changes as soon as possible.

As well as the issues I have discussed, there have been a number of specific areas of focus for GPs, and I will hand you over to pensions committee deputy chair Dr Krishan Aggarwal to update you on these.

**Dr Krishan Aggarwal**

We continue to fight for GPs to have access to an accurate, up-to-date pension record. We were made aware that the NHS BSA had reported NHS England to the pensions regulator, as NHS BSA had not received certain up-to-date information from PCSE that was required for GP pension calculations. We asked NHS BSA for a copy of this communication, however they would not disclose this to us fully and we have since complained to the Information Commissioner’s Office, who are investigating.

We also have concerns regarding PCSE’s new online GP Payments and Pensions portal, which went live on 1 June, which aims to provide practices and GPs with access to a range of new services to help manage their payments and pensions administration online.After we heard that some BMA GP members had been experiencing issues with the pensions part of the portal, we ran a survey for GPs who primarily work in England to provide their feedback on their experiences of using the new portal to manage their pensions administration.

The results indicated that GPs have experienced multiple issues with the system – for example, a number of respondents reported that they had experienced technical issues, 53% of respondents could not see any of their pensions data on the portal and 31% reported that they could see some of their data on the portal but they believed that other data was missing. Only 7% believe that they can see all their data. We would like to assure you that we will be holding PCSE to account.

**Dr Vishal Sharma**

Finally, I want to thank every member of the pensions committee, our deputy chairs, our secretariat and BMA staff across the whole association who have supported the committee’s work over the past year. I am extremely grateful for their input and expertise, and without them none of this work would be possible.

The committee wants to work with all stakeholders to deliver solutions to the significant issues faced by doctors regarding their pensions. There is much we have done, yet much more that we need to accomplish. It has been our pleasure to be leading on this work on your behalf, and we look forward to continuing to serve our members and the wider NHS by lobbying to achieve a fair, simple NHS pension scheme for all. Indeed, in the past the pensions committee was put into abeyance, as we had such a system - a simple and fair pension scheme that required little BMA lobbying. Our ultimate aim as a committee is to make ourselves redundant once more – to get to a point where your pension is fair and secure, and we are unnecessary - but until then we remain vigilant and committed to fighting on your behalf.