

Fighting for our rights, fighting for our future

Pensions Committee report

Pension taxation issues

The implications of pension taxation remain a significant concern and whilst we continue to lobby Government on this, there is still much work to do. We continue to face a pensions taxation system that is not only unfair but one that leaves doctors with little option but to retire early or reduce the work they do for the NHS. We have been warning of the impacts since 2018 and unfortunately the Government has ignored our extensive lobbying on this issue, and meanwhile the NHS has been heading into a workforce crisis. We have a perfect storm of an exhausted, burnt-out workforce, punitive taxation policies creating financial disincentives to continue working, an increase in Consumer Price Index, and the impact of the McCloud remedy that will see many doctors reducing their working hours or retiring earlier.

In the next 18 months alone, modelling from the BMA, as well as surveys from the Royal College of Physicians, suggests that, without decisive action from the Government, more than 10% of the consultant and GP workforce are likely to retire within the next 18 months.

A survey of BMA GP members which asked where GPs saw themselves professionally in the next three years found that 14.3% plan to take early retirement, and among those currently working as a GP partner, it was nearly 18%.

The average retirement age has already fallen from 61 in 2007/08 to 59 in 2018/19. There has also been a four-fold increase in the number of voluntary early retirements (VER) since 2008, with 30% of consultant and 54.7% of GP retirements in 2020 being VER.

In response to inaccurate information published by NHS England & Improvement (NHSEI) that claimed NHS staff would receive a higher pension if they delayed retirement, we produced a [peri-retirement modeller tool](#) enabling hospital doctors aged 59 or above to model the impact on their own situation if they worked for an extra year. This has demonstrated that a doctor may be well over £100,000 worse

off if they retire at the age of 61 rather than age 60. Despite the BMA repeatedly highlighting the errors on the NHSEI website and calling for this misleading information to be removed from the website, it remains accessible despite these errors being acknowledged.

We are clear that in the long term, the solution to this problem is a tax unregistered scheme for those impacted by pension taxation in the NHS. Such a scheme has already been introduced for judges in response to very similar issues with recruitment and retention and we are lobbying Government to do the same for doctors. This is a fundamentally fair system for both doctors and the taxpayer. However, given the extreme urgency of the current situation, a number of shorter-term mitigations such as recycling of employer pension contributions, amending the Finance Act or repeating the 2019/20 Annual Allowance compensation scheme, must be implemented without delay. A failure in the Government taking urgent action will result in thousands of doctors (as well as other vital NHS staff) retiring over the next 12 months.

The Association of Independent Specialist Medical Accountants have already written to HM Treasury about this issue and have independently proposed many of these same solutions. A copy of their letter [can be found here](#).

Consumer Price Index increase and the impact on GP pensions

UK Consumer Price Index (CPI) inflation jumped to 9% in the 12 months up to April 2022, a 40-year high, and the Bank of England predicts this will increase to 10% by the end of the year. This soaring rate of inflation, combined with the highly inappropriate way Annual Allowance growth is tested, may have very serious implications for GP pensions and Annual Allowance. High CPI and the current freeze of the lifetime allowance will also cause serious issues for many GPs.

We developed a [CPI modeller for the GP pension scheme](#) for GPs to look at their pension growth in 2022/23 and 2023/24 tax years, and to explain the problems with poor design of the Annual Allowance and how it will interact with the 1995 / 2015 GP pension scheme and Annual Allowance taxation. It is important that GPs urgently take steps to understand their position and the potential impact this may have on future Annual Allowance charges.

We have shared our serious concerns on this issue with the Department of Health & Social Care and NHSEI, who have escalated these to HM Treasury. Only Government is able to turn around this very serious issue, the ball is firmly in their court to act, and do so with the utmost urgency.

GP pension records

We continue to fight for GPs in England to have access to an accurate, up-to-date pension record. We meet with NHSEI, NHS BSA and PCSE on a monthly basis to highlight issues reported to us by members and to influence them to resolve ongoing issues with their data processes and missing years of pensions data. We remain deeply unsatisfied with the current progress in dealing with these issues and will strive to ensure PCSE are rectifying these issues.

We have continued to be made aware that some members are nearing retirement or have already retired and have not received the necessary paperwork in order for them to receive their pension. This is a grossly unacceptable situation, and we will continue to engage with NHSEI and PCSE to hold them to account. We have also written to relevant stakeholders on this matter.

Recycling

We are continuing to push for immediate and universal access to recycling of the full value of employers' pension contributions. We recognise that employers' pension contributions to the NHS pension scheme are an important part of the overall reward package for staff who continue to dedicate their skills and expertise to looking after patients.

We have in our engagements with Government and in public pushed back against any suggestion that higher earners impacted by these absurd rules should forgo the value of these employers' pension contributions if they opt out of the scheme is extremely unfair. This is simply an issue of reallocating the total reward package so that they are able to maintain its financial value.

Recycling provides an alternative way for higher earners to maintain the value of the employers' contributions and is commonplace in the private sector. It provides a cost neutral option to trusts to allow them to retain their senior workforce and is an option supported by both DHSC and NHS Employers, who have both produced guidance for trusts.

As an immediate mitigation, recycling of the full value of employers' pension contributions for those impacted by pensions taxation should be mandated. Long-term, the Government needs to fix this problem by introducing a tax unregistered scheme similar to the one provided for judges.

We recognise that this is not the ultimate solution to solve the issues around punitive pension taxation, but we have continued to highlight this as a means to at least limit the impact of the pension system. We are disappointed at the glacial pace at which Trusts and the wider NHS have recognised the overwhelming benefits of recycling. Whilst the Welsh Government have sought to 'encourage' this, we will continue to push for the UK and devolved Governments to mandate their uptake by Trusts.

McCloud

We have continued to engage with Government on the implementation of the McCloud measures. The Committee have developed content on this to highlight to members the impact of these changes, coupled with issues related to CPI on the value of their pension through the creation of web content as well as an [app](#), to support those doctors aged 59 or over on the impact of McCloud to them.

Further to this, we held a series of webinars and produced guidance on the [McCloud pension consultation judgement on the BMA website](#). We are continuing to produce web content and will in the Autumn be producing a further app that will allow members to calculate the impact that changes to McCloud will have on their tax liabilities. We will update members as soon as we have progressed and confirmed the launch of this app.

The pensions committee have also launched a judicial review against the government's decision to not only pause the cost cap control mechanism rectification process but to feed the costs of the McCloud age discrimination remedy into the 2016 valuation.

We will continue to push Government to ensure that the changes made as a result of the McCloud judgement are fair and fully rectify the issues identified by the judgement.

Government consultations

The Committee continue to engage with Government in ensuring the voice of our members is heard on consultations around issues related to pensions. We have responded and influenced Government on a number of points, in particular in response to:

- Amendments to the member contributions rates within the NHS Pension Scheme;
- Amendments to the NHS Pension Scheme as a result of the McCloud remedy; and
- Amendments to the NCEA (now known NCIA) scheme.

This includes responses across branches of practice and for the devolved nations. We will continue to ensure we are lobbying Government on behalf of our members, and we will continue to actively encourage our members to engage with these consultations alongside the wider BMA responses, including through providing template responses, as was the case with our member contributions response.

Vish Sharma

Chair, Pensions Committee

<https://www.bma.org.uk/pensions>