Pensions Committee: report to ARM 2022 audio transcript

My name is Vishal Sharma, and I am Chair of the BMA's pensions committee. I am honoured to be able to provide you with an update of the pensions committee's work over the last 12 months.

Another year gone and sadly it is yet another year where the government have failed to tackle the workforce crisis caused by the perfect storm of Pensions taxation, low morale and burn out.

We have been warning government loud and clear that unless they take quick and decisive action, this year will see senior staff leave in their droves. Despite all our warnings, despite all our lobbying, the government continue to bury their head in the sand hoping the problem will go away. But the problem is not going away and is only going to get worse.

Already this year, the number of new pensions awards in April – a marker of retirements was by far the highest ever recorded. We believe that this is just the tip of the iceberg and over the rest of the year we will sadly continue to see very high numbers of retirements. Indeed, modelling from the BMA and from the royal college of Physicians suggest that more than 10% of the consultant workforce will retire in the next year. The figures are even more stark for GPs. GPs are not only under incredible pressure but remain under attack from the government and public about the shortage of appointments despite this being entirely outwith their control. Throw in the fact that pensions taxation can leave them significantly worse off and is it any wonder that BMA surveys show that 14.3% plan to retire within 3 years and amongst GP partners that figure rose to nearly 18%.

The RB is well aware of the real underlying problems with pensions. The government rhetoric states that our problems are due to the generosity of the scheme, that tax relief is expensive, and it is only right that therefore that tax relief is limited. It is hard to know whether this rhetoric is borne out of a lack of understanding of the issue or a deliberate attempt to mislead the public in order to defend their inaction.

To be clear, doctors and other high earners in the NHS fully accept that they should pay their fair share of tax and fully accept that it is only right that they pay more tax than lower earners. However, that is not how the current rules work. Pensions tax is not progressive, it results in cliff edges, perverse incentives and can actually leave people financially worse off by working more or by delaying retirement.

Against this backdrop of pension taxation, low morale and burnout and just when we thought things couldn't get even worse, a new kid on the block has arrived, a kid intent on giving those in the workforce who are just hanging on, a final kick out of the door. This new kid is the soaring level of inflation. Inflation is attacking our pension in multiple different ways. Firstly, if the government sticks with its intention to only award doctors a 2% pay award this year, with CPI inflation predicted to be nearly 10% this year, this will represent the largest single year real terms pay cut we have known. For those with final salary pensions in the 1995 scheme - which is the vast majority of senior hospital doctors, this will be hugely significant and when coupled with the lack of late retirement factors in the 1995 scheme means that for many aged 59 or over, they will lose significant sums - well over £100,000 in some cases over the course of a typical retirement period if they delay retirement even for a single year. Secondly as a result of the Chancellors scandalous decision to freeze the Lifetime allowance last year, we will see around £100,000 in real terms value wiped out form the LTA in a single year. Thirdly, and a particular issue for GPs in the practitioner scheme, due to anomalous way in which different rates of inflation are used for the opening value and revaluation of their pension, GPs may incur annual allowance tax bills of tens of thousands of pounds this year, much of which is simply on growth due to inflation. What's worse, if inflation falls as predicted next year, most of this artificial growth will disappear meaning GPs will have been taxed on pseudo growth that they will not actually receive pension benefits on. The BMA pension committee has produced 2 modellers which are on the BMA website where members can look at the impact of inflation both for hospital doctors in the 1995 final salary scheme and GPs in the practitioner scheme.

At a time when our patients need us the most, why does the government refuse to take action on this issue particularly when there are ready made solutions. We have called for the same solution as the government have implemented for judges. They have a tax unregistered scheme whereby there is no tax relief on pension contributions and therefore no requirement to test pension savings against either the annual or lifetime allowance. It's a fundamentally fair system for both scheme members and the taxpayer. Not only does it ensure doctors and other higher earners are paying the correct amount of tax, it does so in a progressive way and crucially removes the disincentives preventing people taking on additional work or leaving them with little option but to retire early.

We have also pushed for mandatory scheme level recycling of the full value of employer's pension contributions as well as an urgent amendment to the finance act to ensure that the annual allowance only applies to pension growth above inflation as well as ensuring that negative pension growth can be offset against positive growth in future years.

As well as continually lobbying against the absurdity of pensions tax, the Pensions committee has been extensively inputting in the recent review of the pension contribution structure. Now that everyone is in a career averaged pensions scheme, there is no justification for such steeply tiered rates and the BMA has been campaigning for a flatter structure. Furthermore, the committee has been lobbying for several years that it is grossly unfair for those working less than full time and for sessional GPs to have their pension contributions based on whole time equivalent pay or annualised pay. We have had some success in this regard, and in England and Wales over the next 18 months, the top tier of contributions will reduce to a new maximum of 12.5% and for those working LTFT, they will have their contributions based on actual pay. As the average contribution rate will remain unchanged, this does mean that for some of our junior doctors, they will see a slight rise in the early years of training, but it is vital that they continue to remain members of the scheme as particularly early in your career, the scheme remains good value for money. Over the course of a typical training programme for junior doctors they will pay less overall as a result of these changes. After much resistance we have persuaded DHSC to review the process of annualization and hopefully we can achieve further progress in this area too. Similar discussions about the contribution structure are ongoing within Scotland and NI and broadly following the same structure.

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. Essentially at its last valuation, the pension scheme was in surplus compared to its agreed baseline cost position. This should have led to member benefits being increased and a way in which to do this was agreed between government and the NHS scheme advisory board. However, the implementation of these changes was paused by Government and they have now sought to pass the McCloud costs into the valuation which if they were allowed to do would wipe out this surplus. We have objected to this and launched legal action as essentially, having been found guilty of indirect age discrimination in the McCloud case, and having been obliged to implement a remedy, the government is effectively asking members to pay to fix their mistake. If successful, with our legal action, the impact on members could be highly significant and potentially worth tens of thousands of pounds per member in the scheme, with the greatest benefit being for junior doctors and future doctors as they are the furthest form retirement.

We were flabbergasted to hear that NHSE England have renewed their contract with Capita. If ever there was a reward for failure, then this is it. We have written to NHS England to express our concerns about this and we will continue to hold Capita to account and ensure that they rapidly sort out the state of GP pensions that continues to leave thousands of GPs unable to access their records.

Unsurprisingly given the increasing complexities with our pensions, our pensions department have been inundated with queries and for a short period earlier in the year we had to temporarily close to new queries. We are very sorry for this and it was short lived, and the service is back up and running and we are actively trying to expand our pensions department so that we can give you the best possible support.

I would like to thank my fellow officers, Dr Tony Goldstone and Dr Krishan Aggarwal as well as our staff, Hannah Sullivan, Catherine Steele, Michael Reid within the pensions committee and Jackey Brodie, Andy Blake and the entire pensions department for their incredible hard work over the last year. I would also like to thank Peter Gordon, Matt Howell and Neeta Major for their support in helping to improve the resources within the committee. We know that pensions are one of the most important areas that you want the BMA to prioritise and we are doing all that we can to ensure that we deliver the best possible outcomes for you.

Dr Vishal Sharma
Pensions committee chair