

Going beyond a band-aid solution

doctors from receiving a tax charge.

In particular, the government confirmed that it will proceed with plans to implement pensionable re-employment and permanently remove the 16-hour rule from 1 April 2023. This is alongside further changes to the scheme rules from 1 April 2023 to address inflation, and will be followed by the implementation of partial retirement on 1 October 2023.

Scheme shake up

Following an industry consultation, the Department of Health and Social Care (DHSC) revealed that, overall, the majority (87 per cent) of responses were supportive of the proposed new flexibilities.

According to the DHSC, respondents, including the Scheme Advisory Board (SAB) for the NHS Pension Scheme, suggested that the proposed flexibilities could help the NHS to retain experienced staff, give NHS Pension Scheme members more options for their retirement and make the rules of the scheme fairer.

Alongside retirement flexibilities, the DHSC confirmed plans to change the revaluation date in the 2015 regulations and move the date that dynamising factors are applied to 1995/2008 scheme practitioner pensionable earnings from 1

April to 6 April from April 2023.

The DHSC said that most respondents (82 per cent) also welcomed these proposals, although it acknowledged that there were some broader concerns raised around the annual allowance (AA).

The British Medical Association (BMA), for instance, raised concerns around the implications of no revaluation, for AA purposes, for the tax year 2022 to 2023, and the impact for members retiring during tax year 2022 to 2023 and whether they will receive the appropriate proportion of the revaluation that they are entitled to under the existing arrangements.

In addition to this, the BMA was among several organisations, including the British Dental Association, and the Association of Independent Specialist Medical Accountants (AISMA), and NHS Pensions Scheme Advisory Board, to raise the issue of 'negative pension growth' in AA calculations and advocated for amendment of section 234 of the Finance Act to address this.

In light of these concerns, the DHSC confirmed that the tax year 2022 to 2023 will be a transitional tax year to facilitate the change in the scheme revaluation date from 1 April to 6 April.

Closing the floodgates

These concerns may have since been alleviated further, as in addition to these scheme-specific changes, Chancellor, Jeremy Hunt, confirmed plans to abolish the lifetime allowance (LTA) as part

➤ A closer look at the recent changes to the NHS Pension Scheme, the impact of wider pension tax changes on the NHS, and the concerns that remain

Pensions have been an underlying issue in the NHS for some time, with industry experts previously warning that the NHS could be facing a potential exodus of doctors as punitive pay and pension rules pushed senior doctors to consider retiring.

Yet the past month has brought news of major changes to the NHS, including wider scale pension tax changes that are expected to stop over 80 per cent of NHS

of the Spring Budget 2023, while the AA will be increased from £40,000 to £60,000.

The reforms are designed to help ensure that highly skilled individuals such as NHS clinicians are not disincentivised from remaining in the workforce, with Hunt suggesting that the changes will stop over 80 per cent of NHS doctors from receiving a tax charge.

Hunt stated: “I have listened to the concerns of many senior NHS clinicians who say that unpredictable NHS charges are making them leave the NHS just when they are needed the most, and we will shortly publish a long-term workforce plan. But ahead of that, I don’t want any doctor to retire early because of the way pension taxation works.”

The Budget papers also revealed that, to help increase retention in the workforce of the public sector, open and closed public service pension schemes for a given workforce will be considered linked for the purposes of calculating AA charges.

This aims to allow members to offset any negative real growth for AA purposes in legacy public service pension schemes against the AA.

The BMA highlighted the news of the Spring Budget as the culmination of “years of lobbying”, arguing that the changes should effectively close the floodgates to keep more senior doctors in the NHS workforce.

“The scrapping of the LTA will be potentially transformative for the NHS as senior doctors will no longer be forced to retire early and can continue to work

within the NHS, providing vital patient care,” BMA Pensions Committee chair and Consultants Committee chair, Dr Vishal Sharma, stated.

“We are pleased that the Chancellor has acted decisively to avert a major workforce crisis, as a failure to do so would have resulted in a major risk to the NHS, to our patients and to the junior doctors we mentor and train.”

However, Sharma clarified that these changes don’t address all of the issues and some doctors will still be adversely impacted by the AA, particularly the tapered AA, which hasn’t been “meaningfully modified” in these reforms.

“We hope to continue our constructive discussions with the Treasury in order to find a way forward to address this outstanding issue,” he continued.

“It is also vital if we don’t want to end up in this situation again that these limits must be kept under review to ensure their value is not eroded in real terms. Otherwise, we will simply find ourselves in the same situation in a few years’ time.”

The devil in the detail

The NHS Confederation also raised broader concerns, arguing that whilst there was “very welcome news” in the budget, the reality is that it leaves “more questions than it answers when it comes to the NHS”.

“On the one hand, there is very welcome news on pensions reform as lifting the LTA and AA will help incentivise more medical staff to carry out

extra shifts – this is vital if we are going to reduce waiting lists,” NHS Confederation chief executive, Matthew Taylor, stated.

“But on the other hand, we are facing a staffing crisis in the NHS and this budget does not provide any further clarity on how the government is going to address it.”

Industry experts have also warned that the desired impact of the pension tax changes could be dampened by the news that Labour would reinstate the LTA if elected.

In a statement following the Budget, Labour branded the changes a “gilded giveaway”, arguing that the government’s plan to abolish the allowance is the “wrong priority, at the wrong time, for the wrong people”.

Guiide founder and pensions actuary, Kevin Hollister, for instance, warned that, given Labour’s response and current lead in the polls, a doctor considering returning to work as a result of the changes in pension tax “can clearly see that any additional work may actually lead them to a large tax bill later if Labour wins and reinstates the LTA at the current level”.

He continued: “Labour’s response without specific parameters as to the level at which the LTA would be restored at, will cause the current issues to remain. The level of the proposed LTA on any reinstatement of it must be confirmed now by Labour to avoid the issue continuing.”

“The Labour Shadow Chancellor stated a solution could be worked out for doctors or other key occupations specifically. This is just simply unworkable. Aside from the legality of one occupation having different tax benefits to another, how could you possibly define which well-paid professions are worthy enough not to be subject to the LTA and which are. It’s a political soundbite that is simply unworkable.”

 Written by Sophie Smith

Getting out from under a (Mc)Cloud

The government has also launched a consultation on plans to amend the NHS Pension Scheme regulations to implement the second part of the McCloud remedy, with the second part of the remedy to come into effect by 1 October 2023. This second retrospective part of the remedy aims to remove the effect of the transitional protections.

The changes are expected to impact around 1.1 million NHS Pension Scheme members with remediable service, and will give members a choice of whether to receive, legacy scheme benefits or 2015 scheme benefits for their remediable service benefits, both of which are payable from the legacy scheme.