

Plans to amend NHS pension rules to bolster NHS workforce approved by government

17 March 2023

Back in December we brought you news that the government was consulting about proposed amendments to NHS pension rules in a bid to bolster the NHS workforce. The change would enable staff to work more flexibly up to and beyond retirement age ensuring skills are retained and barriers are removed to staff returning from retirement.

The consultation closed on 30 January 2023 and in an announcement on [GOV.UK](https://www.gov.uk) it has been confirmed that respondents were broadly supportive of the measures outlined in the consultation and therefore the government will proceed to implement the proposals.

The changes to be adopted include:

- **A new partial retirement option** to support older staff who want to work more flexibly and enable them to access part of their pension while continuing to contribute to their pension pot.
- **Removing limits on hours** recently retired staff can work giving them control over the hours they work after returning.
- **Allowing retired staff to re-join the pension scheme** making returning to work in the NHS more attractive by ensuring senior clinicians and NHS staff can continue to contribute to their pensions from their NHS work.
- **Flexing the annual tax charge**, fixing the interaction between the pension tax system and inflation to ensure senior clinicians have more headroom against the pension tax annual allowance.
- **Wider access to NHS Pension Scheme** - allowing staff working in primary care networks (PCNs), such as GPs and general practice staff, to access the NHS Pension Scheme. Previously they have had to apply for time-limited access on an ad hoc basis.

The rule changes come into force in April for staff who have retired and returned although the rules for staff who wish to partially retire will not come in effect until October.

In addition to the changes to the NHS pension rules, staff will also benefit from the wider package of pension reforms announced as part of the Spring Budget, including:

- **Abolishing the lifetime allowance on pensions** (the amount a person can save into their pension during their lifetime before incurring tax).
- **Removal of the lifetime allowance charge** (the amount somebody is taxed when they take money out of their pension if they have exceeded their lifetime allowance). This will come into effect from April, whilst the allowance itself will be scrapped entirely in a future finance bill.
- **Increase in annual allowance** (amount that can be saved into a pension each year before being taxed) from £40k to £60k from 6 April 2023.

It is hoped that the combined effect of the changes will mean more staff (especially consultants who were susceptible to the lifetime charge) will remain in work longer or return to the service after previously taking early retirement. Indeed, the government has said that because of the level of interest shown in the consultation it anticipates that a substantial number of members will choose to partially retire when the option becomes available later in the year. This will have the advantage of not only bolstering the existing workforce during the current staffing crisis but also mean the vital skills and experience can be retained and passed on to more junior staff which may make it easier for employer to succession plan going forwards.

Key contact



Gemma Lynch
Legal Director

Gemma.Lynch@brownejacobson.com
+44 (0)330 045 2631

Related expertise

Services

- | | | |
|------------|------------------------------------|------------|
| Employment | Employment services for healthcare | Health law |
|------------|------------------------------------|------------|