



Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
London
SW1A 2HQ

27 February 2020

Dear Chancellor,

Reform to Pensions Tax Relief

I am writing to you concerning issues with the current pension tax relief system and the recent speculation of reform to this in the upcoming budget.

Prospect is a politically independent trade union that represents over 145,000 people across the UK. Our members are professionals, managers, technical experts and craftspeople working in a huge range of industries.

Tax relief on pension contributions is a vital part of incentivising pension saving and I am very concerned at speculation in the press that your predecessor was considering radical reform to pension tax relief with the introduction of flat rate relief at 20%.

Whilst auto-enrolment has successfully reversed declining rates of pension participation, I would urge the Government not to be complacent given analysis by the Department for Work and Pensions¹ showing that four in ten pension savers eligible for auto-enrolment are not saving enough for retirement. I would like to remind you that without policies that encourage the nation to save for retirement, so many people will reach retirement without sufficient pension and therefore have to rely on the state.

Auto-enrolment was a policy borne out of the Pension Commission established in 2002, which was developed in consultation with the CBI and TUC and subsequently developed, legislated for and introduced by the three main political parties. Prospect believe that a new Pension Commission should be established to develop a holistic Government policy on pension saving in the UK with an aim of getting the country retirement ready.

If there is to be a reform of tax relief this should be evidence based and follow a period of consultation. It should also be recognised that tax relief is vital to incentivise people to save for their retirement. Any reform should be sustainable, fair and equitable over the course of a pension savers lifetime.

I welcome the Government's commitment to find a solution to the impact that the tapered annual allowance has had on the NHS due to clinicians refusing to work extra shifts and the affect this has had on waiting lists. It is important though to recognise that this is a wider issue across the public and private sector and not just for the NHS.

¹ <https://www.gov.uk/government/publications/automatic-enrolment-review-2017-maintaining-the-momentum>

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Prospect has membership in a wide range of employers and roles. We have surveyed our membership to ask about the impact that pension tax relief has had on them in terms of their finances, position and wider career aspirations. The resounding response from this is that there is strong support to scrap the taper and that flexibilities such as those being introduced into the NHS scheme, would be welcomed in the other public sector pension schemes. It is unfair to acknowledge and attempt to resolve the issues that this is causing within the NHS whilst ignoring the rest of the public services which are also vital.

The intention of the tapered annual allowance was to reduce tax relief on pension contributions for those very highest of earners, specifically those earning over £150,000 per annum. However, its complex and flawed design has led to the policy affecting our members earning over £110,000 who do not earn in excess of £150,000.

Prospect has researched the number of Pension Savings Statements being issued across various public sector pension schemes and this has more than doubled between 14/15 and 17/18. This shows that the annual allowance is having an impact right across the public sector and given the level of salaries within these roles, it demonstrates that pension scheme members with earnings of far less than £150,000 per annum are being affected.

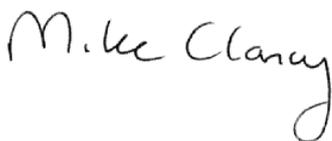
Certain branches and positions have been especially impacted by the tapered annual allowance. These include: our members who are senior leaders within the Fire and Rescue Service; Air Traffic Controllers employed by National Air Traffic Services (NATS); as well as those employed as Inspectors by the Office for Nuclear Regulation (ONR). The recurring issues in all of these branches are that skilled professionals are being discouraged from seeking promotion, retiring early, or working reduced hours due to the punitive impact of the tapered annual allowance. This is leading to a shortage of skilled staff for these vital roles.

An example has been provided by the Fire Leaders Association where a temporary promotion leads to a situation where the member is in a financially worse position. This occurred because the additional tax payable, and the scheme pays deduction that stemmed from this, will be more than the salary earned through the temporary promotion. This is down to the poor design of the tapered annual allowance which introduces a cliff edge because of the pay thresholds being used.

In the ONR, Nuclear Inspectors, who are the front line in keeping the public safe from the hazards posed by the nuclear industry, are retiring early, working part time and not applying for promotions due to the current pension taxation regime. Our reps inform me that although senior inspector roles are being filled, the competition is far from fierce which given the breadth and depth of talent at the organisation, is highly troubling.

We would welcome a meeting with yourself and some of our affected members so that we can discuss this issue with you.

Yours sincerely



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