



Could you be at risk of a pension tax charge?

Head of the Medical division, Alec Collie and Technical Expert, Madeleine Dowling, from Wesleyan Financial Services, discuss pension tax charges as a result of the McCloud Remedy.

Most GPs will have heard of The McCloud Remedy – this refers to an ongoing effort by the government to address age discrimination in public sector pension schemes, including the NHS pension scheme (NHSPS).

According to a recent Freedom of Information request secured by Wesleyan Financial Services, more than 4,000 doctors and dentists in England and Wales have breached the annual allowance because of the 'McCloud' pension discrimination remedy, and as a result, are facing a pension tax charge as a result of ongoing efforts to address discrimination in public sector pension schemes. Those 'rolled back' to the 2008 section of the NHS Pension Scheme are most likely to be at risk.

Rollback is a key part of the 'McCloud' remedy. This is an ongoing process to address age discrimination in public sector pension schemes that arose in 2015 when some members of the NHS Pension Scheme who were close to retirement were allowed to remain in their old 'legacy' schemes, while many other, mainly younger members, were moved across to the new 'reformed' scheme.

The FOI, submitted by Wesleyan to the NHS Business Services Authority, has revealed that 4,120 doctors and dentists who are members of the NHS Pension Scheme (NHSPS) exceeded the annual allowance in at least one of the tax years between 2015/16 and 2021/22 after 'rollback' was applied to their pension.

As part of the solution, all affected members will be given a choice of whether they'd like to receive pension benefits from their legacy scheme or the post-2015 reformed scheme for the period between the 1 April 2015 and 31 March 2022 – a time known as the 'remedy' period.

Until they make that choice, affected members have had their pensionable service for the remedy period 'rolled back' into their legacy schemes. This may increase the value of their pension benefits above the annual allowance because of differences in how the schemes operate.

What does this mean to your finances?

Madeleine Dowling, technical team lead at Wesleyan, says: "Not all 4,120 people will be hit with a pension tax charge – it will depend on what they choose to do with their pension for the remedy period. But this clearly highlights the significance of the choice that those affected by McCloud have to make when it comes to their pensions, and the factors that they will need to consider."

Wesleyan's FOI also found that doctors and dentists in the 2008 section of the NHSPS are more likely to be at risk of tax charges because of the McCloud remedy, with 4,350* seeing an increase in their total pension input since the rollback, compared to 3,256** in the 1995 scheme. Meanwhile, 37,416*** doctors and dentists in the 1995 scheme have seen their pension benefits drop after rollback, compared to 7,477**** in the 2008 section.

The findings come as public sector professionals – including doctors and dentists, as well as teachers – have been faced with delays to critical pension documents, including those related to McCloud, which have challenged their ability to effectively monitor and manage their retirement savings.

"When it comes to McCloud, there isn't one path that will be right for everyone. Some people will be better off in one scheme, and some in another, even if that means having a tax charge to pay."

"The challenge is that working out what the 'right' option is can be very complicated. Getting help from a financial adviser who understands the NHS Pension Scheme can be incredibly valuable in helping those affected work through calculations and start thinking about the variables, especially if they're close to retirement."

"An adviser can also help navigate the ongoing issues with key pension documents that are currently making planning around issues like the annual allowance and McCloud even more difficult. We're seeing clients not able to get the paperwork they need, or when they do, critical information is missing or incorrect. We even know of some people who are having to retire without an accurate understanding of how much they have in their pension – a worrying position for anyone to be in."

How can specialist support help?

Understandably, many GPs may be feeling worried about the implications of this. A Specialist Financial Adviser can offer further support and guidance on understanding your financial position and the potential implications of the McCloud Remedy to help put you in an informed position regarding your financial position and retirement options.

*4,006 doctors and 344 dentists

** 2,891 doctors and 365 dentists

***33,522 doctors and 3,894 dentists

****6,039 doctors and 1,438 dentists

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If you would like support or guidance on understanding your financial position, speak to a Specialist Financial Adviser at Wesleyan Financial Services for a financial review by visiting: www.wesleyan.co.uk/pulse-nhs-pension-guide. Charges may apply. You will not be charged until you have agreed the services you require and the associated costs. Learn more about our charges [here](#).

Alec Collie is Head of Medical at Wesleyan Financial Services, under Alec's guidance, Wesleyan Financial Services' Medical segment helps to support hospital doctors, GPs and GP Practices with financial planning to secure their financial future.

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