

# **NHS Pensions Review**

## Allocation to Tiers

### Practitioners and Non-GP Providers

2008/9

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## TABLE OF CONTENTS

<b>1. Introduction .....</b>	<b>1</b>
1.1 Background.....	1
<b>2. Tiered Employee Contribution Rates .....</b>	<b>2</b>
2.1 Contribution Rates Table .....	2
2.2 Updates to Contribution Rates Table .....	2
<b>3. Allocation to Tiered Contribution Rates .....</b>	<b>3</b>
3.1 Applicable to all Practitioners and Non GP Providers .....	3
3.2 General Medical Practitioners and Non GP Providers .....	3
3.3 Dental Practitioners .....	6
<b>4. Flowcharts .....</b>	<b>9</b>
<b>5. Further Support .....</b>	<b>11</b>

## **1. Introduction**

### **1.1 Background**

This guidance applies to Practitioners and non GP Providers who are members of either:

- The National Health Service Pension Scheme (Amendment) Regulations 2008 (The 1995 revised NHSPS); or
- The National Health Service Pension Scheme Regulations 2008 (The new NHSPS)

A key feature of the new and revised NHS Pension Schemes is that contribution rates vary from 5% to 8.5% depending on the member's pensionable earnings.

There are a number of differences between General Medical Practitioners and General Dental Practitioners which affects how tiers should be allocated.

This document explains how the tiered contribution rate allocation should be administered in detail, including the non straightforward cases.

There will inevitably be circumstances which have not been anticipated. Anyone with such a case is encouraged to raise it with Pensions Division who will update the guidance accordingly.

This document only applies to 2008/9. Further advice will be supplied in respect of 2009/10.

## 2. Tiered Employee Contribution Rates

### 2.1 Contribution Rates Table

**Table - Tiered Contribution Rates**

Tier	2007/08 pay rates	2006/07 pay rates	2005/06 pay rates	Current Contribution	New Contribution 2008/09
1	Up to £19,682	Up to £19,165	Up to £18,697	6%	5%
2	£19,683 to £65,002	£19,166 to £63,416	£18,698 to £61,869	6%	6.5%
3	£65,003 to £102,499	£63,417 to £99,999	£61,870 to £97,560	6%	7.5%
4	£102,500 plus	£100,000 plus	£97,561 plus	6%	8.5%

When using the table, the pay rate column used depends on the financial year that the pensionable pay relates to. For example, use the 2005/06 pay rates column when assigning a tier based on 2005/06 pensionable pay etc.

### 2.2 Updates to Contribution Rates Table

The table used to allocate members to contribution tiers will be updated by the Secretary of State from time to time.

An updated table will be issued during 2008/9 once the AfC pay award is agreed.

The updated table will be used for new starters who are allocated a contribution tier based on an estimate of 2008/09 earnings (see sections 3.2 and 3.3) and start on or after the implementation date of the revised table. Other members will retain their tier based on the 2007/08 table until 2009/10. The date the updated table is to be implemented for new and existing members will be notified when issued by the Secretary of State.

### **3. Allocation to Tiered Contribution Rates**

#### **3.1 Applicable to all Practitioners and Non GP Providers**

1. Once a tiered rate has been determined it is applied to the whole amount. For example, someone with pensionable pay of £150,000 will pay contributions of 8.5% x £150,000.
2. The new contribution rates are to be applied from Tax Week 1 / month 1 2008/9.
3. Pence should be ignored when determining pensionable pay for the purpose of allocating members to tiers.
4. Pensionable pay should include all pensionable allowances etc.
5. Pensionable pay used to determine a contribution tier should include any deemed pay. Any references to pay, earnings, income etc should be read as pay, earnings, income plus any deemed pay.
6. For members on or returning from maternity leave (no pay SMP etc), parental leave, paternity leave, sick leave (half pay, no pay, SSP) or career breaks etc, normal 'deeming rules' apply from the date of return. Those who go on to half pay during the year must continue to pay the rate of contributions for the tier they were placed in but based on the reduced amount of pensionable pay they actually receive. For those staff already on half pay, the tier should be based on their deemed (i.e. unreduced) rate of pay.

#### **3.2 General Medical Practitioners and Non GP Providers**

##### **3.2.1 General Principles**

1. Host Primary Care Trusts (PCT) or host Local Health Boards (LHB) should allocate General Medical Practitioners (GPs) to tiers based on aggregated:
  - a. Type 1 (Principal) Practitioners certified profits.
  - b. Type 2 (Assistant) Practitioners income.
  - c. Locum Practitioners income.
2. Non GP providers (NGPP) will be allocated to tiers based on their certificated share of partnership profits.
3. GP and NGPP earnings are not scaled to full time or full year.
4. Income from Officer posts should be excluded from the aggregation and should be allocated a contribution tier separately according to the rules governing Officers within the scheme.
5. Where GPs and NGPPs have earnings from a number of sources, the host PCT/LHB will need to take account of all known pensionable GP and NGPP earnings including those outside the PCT/LHB, in allocating to a tier.
6. Employers of GPs who are not the host PCT/LHB are obligated to approach the host PCT/LHB for the correct contribution rate to use for deductions.

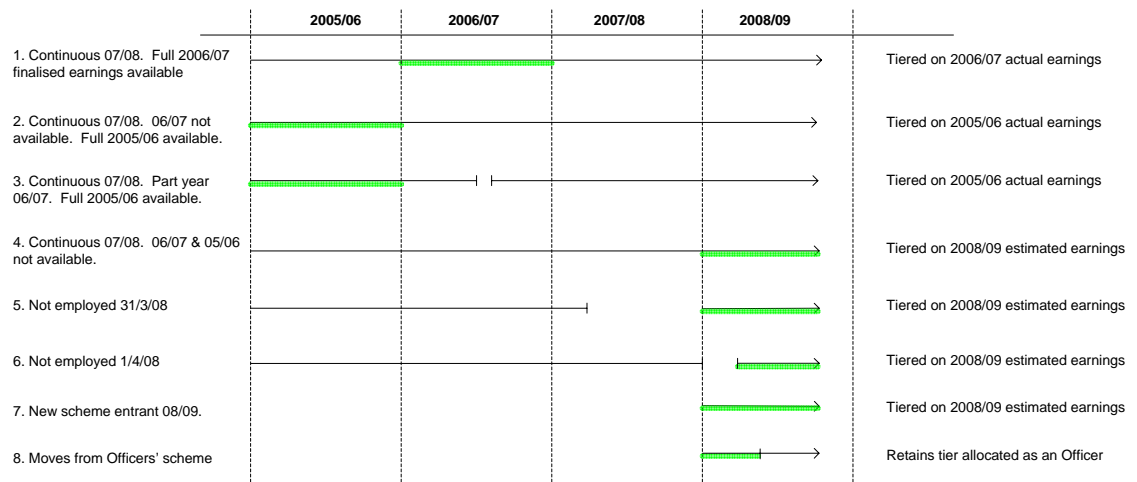
7. For the financial year 2008/09:
- a. For members in pensionable employment on 31<sup>st</sup> March 2008 and 1<sup>st</sup> April 2008, the contribution tier should be based on 2006/07 pensionable earnings if:
    - Final Type 1 earnings, final Type 2 and final locum practitioner earnings as applicable are available for 2006/7; and
    - The member was in practitioner pensionable employment throughout 2006/07.
  - b. If allocation based on a) is not possible then, for members in pensionable employment on 31<sup>st</sup> March 2008 and 1<sup>st</sup> April 2008, allocation to contribution tier should be based on 2005/06 pensionable earnings if:
    - Final Type 1 earnings, final Type 2 and final locum practitioner earnings as applicable are available for 2005/06; and
    - The member was in practitioner pensionable employment throughout 2005/06.
  - c. If allocation based on a) and b) is not possible. That is, in cases where the member was not in pensionable employment on 31<sup>st</sup> March and 1<sup>st</sup> April or did not have full year or finalised earnings for 2006/07 or 2005/06. Allocation to contribution tier should be based on the host PCT's/LHB's best estimate of total (i.e. Type1, Type 2 and Locum) pensionable earnings for 2008/09.
8. In most circumstances, members will retain the same contribution rate for the whole of 2008/09:
- a. New starters in 2008/09 who were previously working in the NHS as officers and were allocated a contribution tier in that employment should have contributions deducted on the basis of their officer contribution rate; provided the member is moving from a single full time or part time officer post at the point they move to practitioner employment.

In other cases contributions should be based on the best estimate of pensionable practitioner earnings for 2008/09. That is where the member:

    - i. has more than one part time officer post at the point of moving to practitioner employment; or
    - ii. retains an part time or full time officer post at the point of moving to practitioner employment; or
    - iii. is moving from a zero hours contract rather than a part time or full time officer post.
  - b. New starters in 2008/09 who were previously working in the NHS as General Dental Practitioners should retain their previous contribution rate.
  - c. GPs who move to other practitioner posts should pay the contribution rate to which they were first allocated as a GP for the remainder of 2008/09

- The 2008/09 contribution tier will not be adjusted for actual earnings which differ from those used to assign the tier. Where actual earnings differ from estimated earnings contribution adjustments will apply the unadjusted 2008/09 contribution tier.

### 3.2.2 Illustrative Scenarios



- Member has continuous employment throughout 2007/08 and 2006/07 and finalised earnings are available for 2006/07. The member's contribution rate should be based on 2006/07 aggregated GP earnings.
- Member has continuous employment throughout 2007/08, 2006/07 and 2005/06, finalised earnings are not available for 2006/07 but are available for 2005/06. The member's contribution rate should be based on 2005/06 aggregated GP earnings.
- Member has continuous employment throughout 2007/08, 2006/07 and 2005/06 finalised earnings are available for 2005/06 and 2006/07; however, the member was not employed as a GP throughout 2006/07. The member's contribution rate should be based on 2005/06 aggregated GP earnings.
- Member has continuous employment throughout 2007/08, 2006/07 and 2005/06, however finalised earnings are not available for 2006/07 or 2005/06. The member's contribution rate should be based on estimated 2008/09 aggregated GP earnings.
- Member has continuous employment throughout 2006/07 and 2005/06 but wasn't employed 31<sup>st</sup> March 2008. The member's contribution rate should be based on estimated 2008/09 aggregated GP earnings.
- Member has continuous employment throughout 2007/08, 2006/07 and 2005/06 but wasn't employed 1<sup>st</sup> April 2008. The member's contribution rate should be based on estimated 2008/09 aggregated GP earnings.
- Member is a new scheme entrant in 2008/09. The member's contribution rate should be based on estimated 2008/09 aggregated GP earnings.
- Member transfers from an Officer (single employment) post 2008/09. The member should retain the contribution rate set for the officer post.

### 3.3 Dental Practitioners

#### 3.3.1 General Principles

1. General Dental Practitioners (GDPs) should be allocated a contribution tier based on their full year earnings as a GDP.
2. Part year GDP earnings should be scaled to full year but GDP earnings are not scaled to full time.
3. Income from Officer posts should be excluded and should be allocated a contribution tier separately according to the rules governing Officers within the scheme.
4. Where GDPs have earnings from a number of sources, the Dental Services Division (DSD) will take account of all known GDP pensionable earnings when assessing the tier to which a dentist should be allocated.
5. PCT/LHBs should modify tiers allocated by DSD in order to reflect any additional GDP earnings that are not held by DSD.
6. For the financial year 2008/09:
  - a. For members in pensionable employment on 31<sup>st</sup> March 2008 and 1<sup>st</sup> April 2008:
    - i. For members with pensionable employment during 2006/07 the contribution tier should be based on 2006/07 pensionable earnings scaled to full year where necessary.
    - ii. If allocation based on i) is not possible. The contribution tier should be based on estimated 2007/08 pensionable earnings scaled to full year where necessary.
  - b. If allocation based on a) is not possible. That is, where the member was not employed on 31<sup>st</sup> March 2008 and 1<sup>st</sup> April 2008, allocation to contribution tier should be based on estimated 2008/09 pensionable earnings scaled to full year.
7. In most circumstances, members will retain the same contribution rate for the whole of 2008/09:
  - a. New starters in the 2008/09 who were previously working in the NHS as officers and were allocated a contribution tier in that employment should have contributions deducted on the basis of their officer contribution rate; provided the member is moving from a single full time or part time officer post at the point they move to practitioner employment.

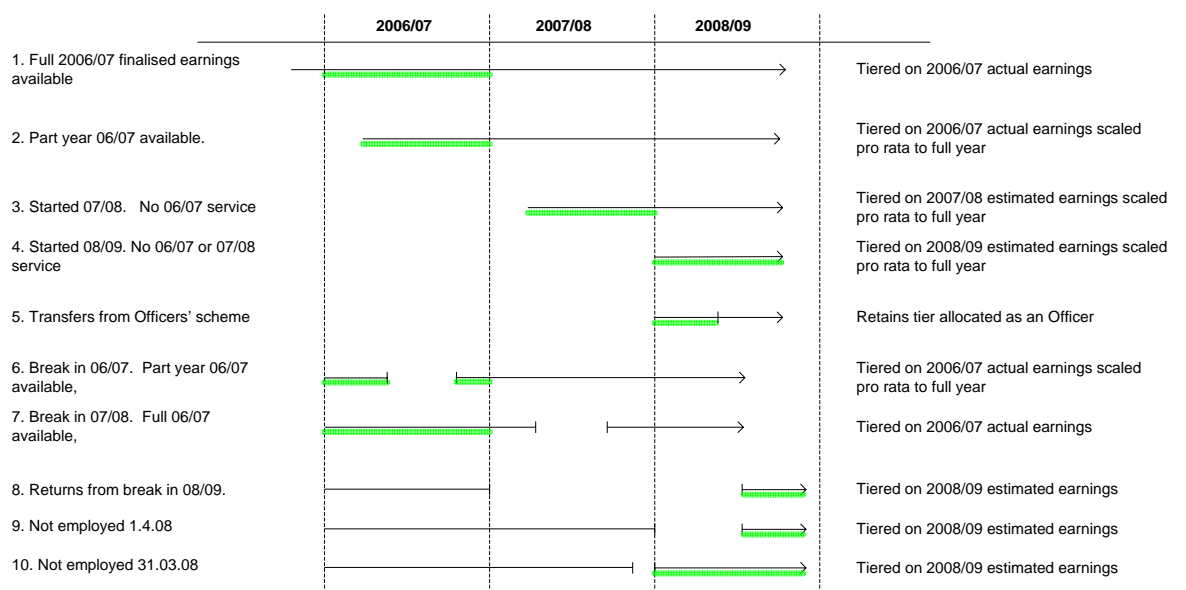
In other cases contributions should be based on the best estimate of pensionable practitioner earnings for 2008/09. That is where the member:

- i. has more than one part time officer post at the point of moving to practitioner employment; or
- ii. retains an part time or full time officer post at the point of moving to practitioner employment; or



- iii. is moving from a zero hours contract rather than a part time or full time officer post.
  - b. New starters in 2008/09 who were previously working in the NHS as General Medical Practitioners should retain their previous contribution rate.
  - c. GDPs who move to other practitioner posts should pay the contribution rate to which they were first allocated as a GDP for the remainder of 2008/09.
8. The 2008/09 contribution tier will not be adjusted for actual earnings which differ from those used to assign the tier. Where actual earnings differ from estimated earnings contribution adjustments will apply the unadjusted 2008/09 contribution tier.

### 3.3.2 Illustrative Scenarios



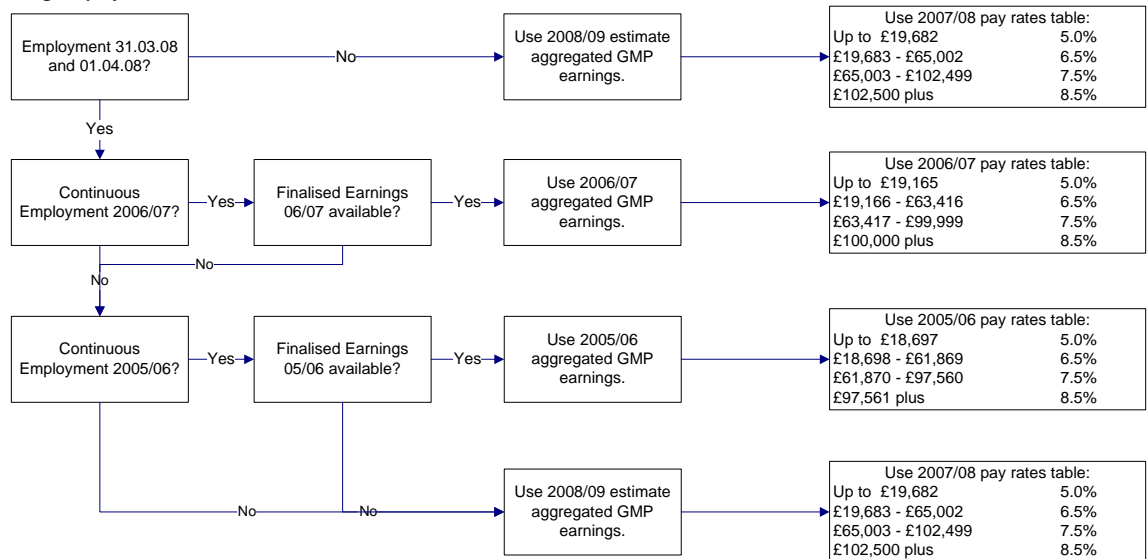
1. Member has continuous employment throughout 2007/08 and 2006/07 and final earnings are available for 2006/07. The member's contribution rate should be based on 2006/07 aggregated GDP earnings.
2. Member has continuous employment throughout 2007/08 but only for part of 2006/07. The member's contribution rate should be based on 2006/07 aggregated GDP earnings scaled pro rata to the full year equivalent.
3. Member started during 2007/08. The member's contribution rate should be based on estimated 2007/08 aggregated GDP earnings scaled pro rata to the full year equivalent.
4. Member is a new scheme entrant in 2008/09. The member's contribution rate should be based on estimated 2008/09 aggregated GDP earnings scaled pro rata to the full year equivalent.
5. Member transfers from an Officer (single employment) post 2008/09. The member should retain the contribution rate set for the officer post.

6. Member has 06/07 earnings but has a break within 06/07. The member's contribution rate should be based on 2006/07 aggregated GDP earnings scaled pro rata to the full year equivalent.
7. Member has full 06/07 earnings but has a break within 07/08. The member's contribution rate should be based on 2006/07 aggregated GDP earnings scaled pro rata to the full year equivalent.
8. Member has 06/07 earnings but was not employed on 31<sup>st</sup> March 2008 and 1<sup>st</sup> April 2008. The member's contribution rate should be based on estimated 2008/09 aggregated GDP earnings scaled pro rata to the full year equivalent.
9. Member has 06/07 earnings but was not employed on 31<sup>st</sup> March 2008 and 1<sup>st</sup> April 2008. The member's contribution rate should be based on estimated 2008/09 aggregated GDP earnings scaled pro rata to the full year equivalent.
10. Member has 06/07 earnings but was not employed on 31<sup>st</sup> March 2008 and 1<sup>st</sup> April 2008. The member's contribution rate should be based on estimated 2008/09 aggregated GDP earnings scaled pro rata to the full year equivalent.

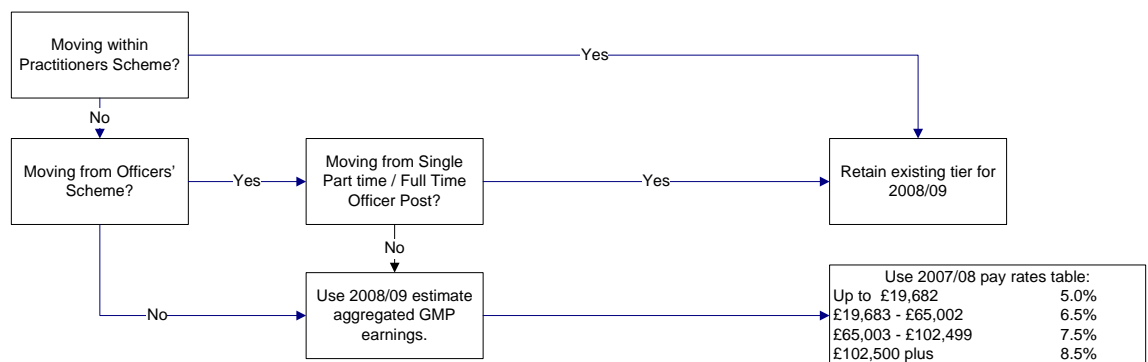
#### 4. Flowcharts

The flowcharts below illustrate the rules to be applied when allocating members to contribution tiers at the start of 2008/09 and for changes during 2008/09:

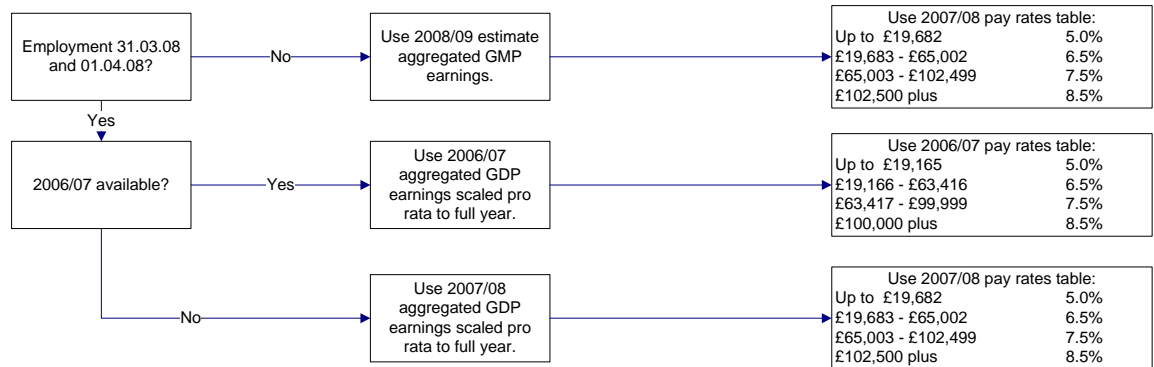
##### General Medical Practitioners - Allocation to Tiers 2008/09 – Existing Employees on 31.03.08



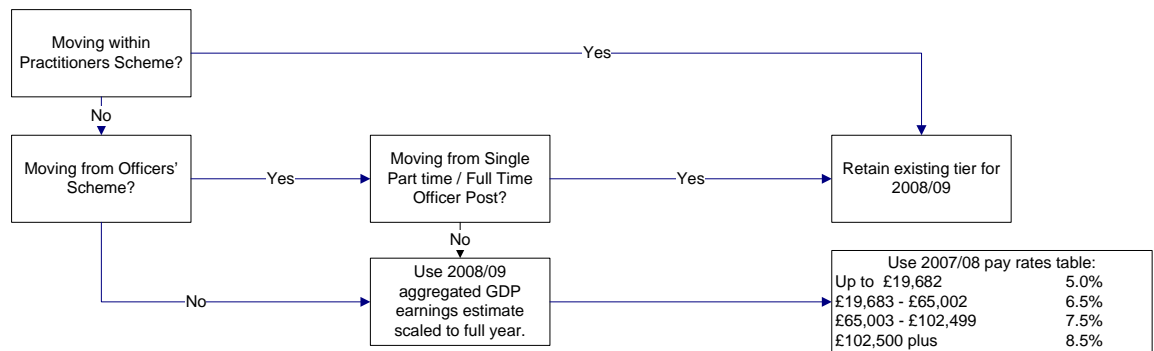
##### Allocation to Tiers – Changes During 2008/09



**General Dental Practitioners - Allocation to Tiers 2008/09 – Existing Employees on 31.03.08**



**Allocation to Tiers – Changes During 2008/09**



## 5. Further Support

Anyone with questions about which tier to allocate a member to or how to calculate full time / full year pensionable pay should contact the Pensions Division Help desk:

Tel: 01253 774774

Fax: 01253 774412

NHSnet: <http://nww.pensionsagency.nhs.uk>

Web: <http://www.pensions.nhsbsa.nhs.uk>