

## How to calculate provider and performer NPE / NPEE

### Provider pensionable pay

The underlying principle is that the maximum pensionable pay of a GDS/PDS practice/ surgery is 43.9% of the total contract value; this is known as the 'pensionable earnings ceiling'.

This ceiling however excludes maternity, paternity and sick pay and the trainer grant.

The provider has a statutory duty to allocate the pensionable earnings ceiling amongst all the dentists working at the practice. The net pay for all the pensionable and non-pensionable performers is deducted at a first tranche from the practice's 43.9% pensionable earnings ceiling. The remaining balance is the maximum allowable provider's pensionable pay.

If a provider is a sole trader their GDS/PDS pensionable income is the remaining balance of the 43.9% ceiling. If a provider is in a partnership the remaining balance will be allocated between the partners in accordance with the partnership agreement.

If a provider is a limited company/dental body corporate (DBC) the remaining balance is pensioned / superannuated by salaries and dividends paid to those who are NHS pension scheme members in the pension's year up to 31 March. If salary/dividends paid to the provider are less than the available pensionable earnings ceiling the shortfall **cannot** be carried forward and pensioned in future years.

A dentist cannot superannuate GDS/PDS income in respect of a colleague even if that colleague is not a member of the NHS pension scheme. A performer's NHS pensionable income must always be consistent with their net GDS/PDS income.

### Example 1

A (single-handed) GDS practice has a total contract value of £1,000,000.00; the pensionable earnings ceiling is £439,000.00. There are four performers and their net GDS income is £80,000.00 each leaving the provider (contractor) with up to £119,000.00 to superannuate. If one of the four performers is not a member of the NHS pension scheme the provider cannot assign the £80,000.00 to their own pensionable pay record. The provider's pensionable pay remains as £119,000.00; the provider **cannot** declare their pensionable pay as £199,000.00.

A practice must notify the relevant organisations of GDS/PDS income that is non-pensionable for the purposes of calculating maternity pay, etc.

If the practice is a limited company, the provider can only pension income that is paid to them by the company in the form of salary and dividends for that year. In the above example the Ltd Co provider's pensionable income will be less than £119,000.00 if monies are held in reserve; i.e. not taken as pay and left in the business.

GDS/PDS provider must pension/superannuate all their eligible NHS income. If they are a shareholder they cannot pension/superannuate monies held in reserve.

## **Performer pensionable pay**

A performer's NHS pensionable income is their net GDS/PDS income paid up to 31 March. A performer cannot superannuate GDS/PDS income in respect of a colleague, nor can they superannuate private income.

The process for calculating a performer's net GDS/PDS income is determined at practice level and any formula can be used. The provider and performer must mutually agree the formula to be used. Example 2 (below) demonstrates the most widely used formula.

Once agreed, the net (GDS/PDS) amount paid to the performer also constitutes their NHS pensionable income for ARR purposes. It is not permissible for the pensionable income shown on the ARR to be different from the performer's net GDS/PDS income except for in exceptional circumstances as outlined at Example 4.

The pensionable pay for an employed performer is their gross basic salary.

The pensionable pay for a locum performer is their net GDS/PDS income however they must be paid directly by the practice and not through a third party. Where the locum is engaged through an agency, or the practice subcontracts some of its GDS/PDS work to outsiders such as a DBC this cost needs to be identified and shown on the ARR but it is not pensionable. See the examples below.

If a performer joins the NHS pension scheme however does not earn any GDS/PDS income their NHS pension scheme membership will be postponed until they do.

### **Example 2**

Performer A has completed 6,000 UDAs in the year at an agreed value of £20.00 per UDA. Their practice agreement requires them to pay £10.00 per UDA as surgery contributions together with 50% of their lab fees, bad debts, statutory levy and a contribution to the hygienist.

### Performer A's pensionable pay

6,000 UDAs @ £20            £120,000.00

#### Less

#### Surgery contribution

£10 @ £6,000.00            £ 60,000.00

50% lab charges            £ 3,000.00

50% bad debts            £ 350.00

50% statutory levy            £ 50.00

Hygienist contribution            £ 500.00

**£ 63,900.00**

Performer A's net pensionable pay for the year is £56,100.00 (£120,000.00 minus £63,900.00)

### Example 3

Performer B's agreement provides for a monthly salary based upon a target number of UDAs to be achieved with an annual adjustment for UDA actually achieved. For pensionable pay purposes, the calculations to arrive at the adjustment are not relevant.

It is only the amount paid for GDS/PDS work completed in the pension year that is relevant.

Salary 12 x £6,000.00            £72,000.00

Year end adjustment paid for over performance            £ 3,500.00

Total            £75,500.00

Net amount paid being the Performer B's NHS pensionable pay for the year:  
£75,500.00

The year end adjustment may be paid after 31 March but must be related back to the pension year.

### Example 4

Occasionally a performer's pensionable pay may be capped by virtue of the practice pensionable earnings ceiling.

Practice total contract value            £110,000.00

Practice pensionable earnings ceiling (£110,000.00 x 43.9%)            £ 48,290.00

Net amount paid to Performer C            £ 50,000.00

Performer C's pensionable pay is capped at £48,290.00

There is no scope for any other dentist to pension/superannuate income.

### **Example 5**

Performer D, an individual, fills a locum position to cover a short term illness of another performer. Performer D is paid £250.00 a session covering ten sessions. Performer D's pensionable pay that must be declared on the ARR is £2,500.00 (10 x £250.00)

### **Example 6**

Performer E is engaged at the practice with payments made via an agency (or Performer E is subcontracted through a DBC). The payments made total £4,500.00. These payments must be declared on the ARR but are not pensionable.