Association of Independent Specialist Medical Accountants: Explaining the NHS Pension Scheme

9-part tutorial for Practice Index

PRACTICE INDEX

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Contents

Introduction

Does thinking about the NHS Pension Scheme give you that sinking feeling? Do you groan every time there's an update to the rules and regulations? Even the most dedicated pension enthusiast can struggle with the complexities of the scheme.

This nine-part tutorial will help you get to grips with the basics and has been put together for Practice Index by Andrew Pow, James Gransby, Deborah Wood and Lizzy Lloyd of the Association of Independent Specialist Medical Accountants – a network of over 75 UK firms working with over 3,800 practices across the UK and representing the very best brains in GP practice finance.

Note:

This guide should not be interpreted as financial advice since guidance and legislation can change from year to year. It's a good idea to check the NHS Business Services Authority website, which has the latest information and updates, before making any important decisions. **https://www.nhsbsa.nhs.uk/member-hub**

Explaining the NHS Pension Scheme
Updates post-Budget 2023

Part 1

Overview

Part 1
Overview

Is the NHS Pension Scheme a good scheme?

Most financial advisers and accountants would agree that it's a good scheme. It provides pension and other valuable benefits and is not exposed to the performance of stock markets or other financial investments.

Instead of benefits being paid from a pension fund, they are paid out of contributions from current members of the scheme. This is an equation that needs to be juggled and from time-to-time contribution rates need to be reassessed (see Part 3 of this guide which covers recent proposals for contribution changes after October 2022).

What benefits does the scheme provide?

The most obvious is a pension – which in simple terms is an income paid in retirement. It does not replace the state pension but is in addition to it.

There are three different parts of the NHS Pension Scheme:

1. The 1995 section
2. The 2008 section
3. The 2015 section

All have different normal retirement ages (NRA). This is the age when benefits can be taken without them being impacted by early retirement factors.

That doesn't mean members have to retire at the NRA – it's possible to retire earlier with a reduced pension or, indeed, retire later. From October 2023 there will also be more flexibilities available in certain circumstances to allow for partial retirement. This will allow members to access some of their pension while continuing to contribute to the 2015 section.

Often overlooked are the other benefits the scheme brings. Principally these are:

1. Death in service benefits should a member die in service
2. Death in retirement benefits ensuring that a pension continues to be paid out at a reduced level to a surviving spouse
3. Ill health retirement benefits. These allow a pension to be paid out earlier if the member can no longer work due to ill health. The amount payable will vary depending on the circumstances.

The three parts: 1995, 2008 and 2015

The three parts of the NHS Pension Scheme offer different benefits. Some members may be in just one part of the scheme. Many other members will find that their benefits are currently in two parts of the scheme. More of that in a later section which sets out the impact of an important recent legal decision (the McCloud judgement) affecting periods of membership between April 2015 and March 2022.

Which parts of the NHS Pensions Scheme you are in will depend on when you joined and whether you have had a break from the scheme, either voluntarily or through a career break of more than five years. Some 1995 members may have also exercised a pension choice exercise to move their 1995 benefits to the 2008 section.

So what are the differences? Some key points

1. The Normal Retirement Age

In the 1995 section the NRA is 60, in the 2008 section it's 65 and in the 2015 section the NRA is the same as your state pension age. So, if the government changes the state pension age, the NRA in the 2015 scheme will change too.

There are some earlier NRAs for special classes of primary care staff – principally nurses, physios, midwives and health visitors who were members of the pension scheme before 6 March 1995. Mental Health Officers also have special rules applied to them.

2. How the pension is calculated

The way in which the pension is calculated will depend on which of the three parts of the scheme a member belongs to. When it comes to calculations there is also an important distinction between 'officer' and 'practitioner' members. Officers are staff in the practice and non-GP partners. Practitioners are GPs, including partners, salaried GPs and locums.

Part 2 of this guide will cover calculations in more detail.

3. Do you get a tax-free lump sum?

The 1995 section gives an automatic tax-free lump sum of 3 x the pension on retirement. This can be boosted by giving up some entitlement to a pension.

The 2008 and 2015 sections do not offer an automatic lump sum. They are designed to give a slightly bigger pension which can be partly given up for a lump sum if the member wishes.

4. Death in service and ill health benefits

Again, these differ according to which part(s) of the scheme the member belongs to. There will be more detail about this in Part 4 of the guide.

In summary, the NHS Pension Scheme is complicated and knowing which part(s) of the scheme a member belongs to is a good starting point.

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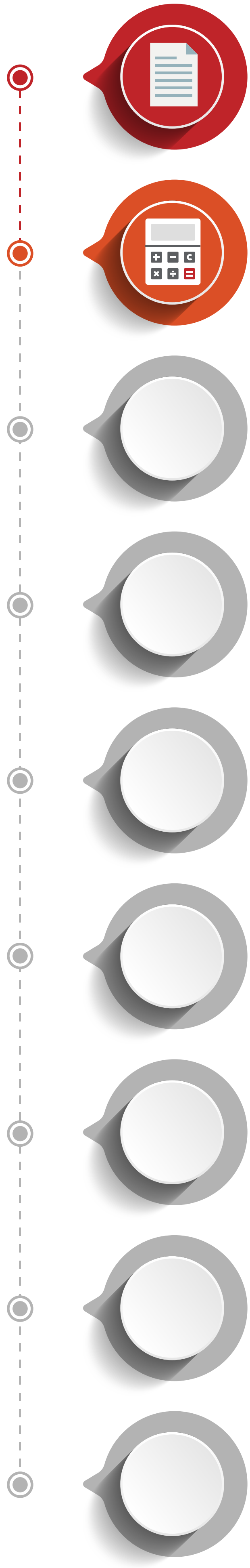
Part 2

How is the pension calculated?



Part 2
How is the pension calculated?

The way in which pension benefits are calculated in the NHS Pension Scheme depends on which part(s) members belong to and whether they are 'practitioner' or 'officer' members.

Practitioners

GP partners, salaried GPs and locum GPs are all practitioner members of the scheme.

Practitioner pensions are based on a percentage of total career earnings, which are uplifted each year to allow for inflation. For the 1995 section, the pension is calculated by multiplying total career earnings by 1.4%.

For the 2008 section the pension is calculated by multiplying total career earnings by 1.87% of each year's pensionable earnings. For the 2015 section the pension is calculated by multiplying total career earnings by 1/54th of each year's pensionable earnings. The difference is partly due to the automatic lump sum in the 1995 section, which isn't offered with the other two parts of the scheme unless part of the pension is given up.

The uplifting factor each year for all parts of the scheme is 1.5% plus the CPI inflation rate in September of that year. For example, in September 2021 the CPI rate was 3.1% which means total career earnings will be uplifted by 4.6%.

Example 1 – Dr Jones
At 31 March 2021 Dr Jones, who is in the 2015 section, had career earnings of £1,000,000. Multiplied by 1/54th this means his pension would be worth £18,519.

During the next year Dr Jones earns £75,000.

To calculate Dr Jones' pension at 31 March 2022:

1. Uplift total career earnings of £1,000,000 at 31 March 2021 by 4.6% = £1,046,000
2. Add 2021/22 income of £75,000 = £1,121,000
3. Multiply uplifted career earnings by 1/54th to give an annual pension of £20,759

It is possible to make similar calculations for the 1995 and 2015 sections. Note that the 1995 practitioner calculation is further complicated by a special adjustment for the period when the GP was working as a hospital doctor or as a GP in training.

Officers

Officer members include practice staff, non-GP partners, hospital posts and some CCG roles. Here the method of calculation is completely different, depending on which part(s) of the scheme the member belongs to.

1995 section
This is a final salary scheme. The pension is based on 1/80th for each year of service, multiplied by the best salary in the last three years. Salary in this instance is the whole-time equivalent salary.

Example 2
Mrs Smith has worked for the NHS for 25 years and is a member of the 1995 section.

Her final salary was £40,000.

Her pension is calculated as 25/80ths of £40,000 = £12,500 annual pension

2008 section
This is similar to the 1995 calculation except it is based on 1/60th for each year of service, multiplied by the reckonable pay, which is the average of the best three consecutive years within the last 10 years.

2015 section
This is a career average arrangement, and the pension is calculated according to a member's average earnings over their career based on 1/54th for each year of service.

Early retirement
In the 1995 section the Normal Retirement Age (NRA) is 60, in the 2008 section it's 65 and in the 2015 section the NRA is the same as your state pension age. These are the ages at which members receive their accrued benefits without any reduction.

Pension benefits for members retiring early are calculated in the normal way, depending on which part(s) of the scheme they belong to and whether they are officers or practitioners. Then early retirement factors are applied. The younger the member retires, the smaller the pension will be, partly because the benefits accrued will be lower.

Note that pension information on Total Reward Statements from the NHS Pension Scheme only show pension accrued and do not factor in early retirement.

Special classes
The calculation for the special classes referred to in **Part 1** of this guide are not covered here.

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Part 3

Contribution rates and employer costs

Part 3
Contribution rates and employer costs

This part of the guide explains the NHS Pension Scheme contribution rates for both members and employers.

In October 2021, proposals were put forward for changes to contribution rates. Following consultation, the changes were implemented from 1 October 2022. The agreed changes are covered here.

Employer contribution

The employer's contribution to the pension scheme is based on the pensionable pay of the GP or staff member. The larger proportion of the contribution comes from the practice, with top-ups (or refunds) coming from central NHS.

	Practice contribution	NHS top-up (or refunds)	Total contribution
England and Wales	14.38%	6.3%	20.68%
Scotland	14.9%	6%	20.9%
Northern Ireland	22.5%	–	22.5%

Member contribution

Members pay contributions to the NHS Pension Scheme based on their earnings. A tier system determines the contribution rate. If a member earns more and moves up a tier, their contribution will be based on their whole income, not just the amount that falls into the higher tier.

This is an important point. Going just £1 into the next tier can result in a large rise in the percentage applied across the member's whole income.

For practice staff, the contribution rate is based on the whole-time equivalent earnings up to 30 September 2022. From 1 October 2022, this is based on actual pay.

For GPs, the contribution rate is based on actual pensionable earnings.

Note, though, that for new GPs joining the 2015 section, and for GP locums, the contribution rate remains based on annualised earnings.

The pension tiers for **England and Wales** changed on 1 October 2022:

Tier	Earnings	Contribution rate
1	Up to £13,246	5.1%
2	£13,247 to £16,831	5.7%
3	£16,832 to £22,878	6.1%
4	£22,879 to £23,948	6.8%
5	£23,949 to £28,223	7.7%
6	£28,224 to £29,179	8.8%
7	£29,180 to £43,805	9.8%
8	£43,806 to £49,245	10%
9	£49,246 to £56,163	11.6%
10	£56,164 to £72,030	12.5%
11	£72,031 and above	13.5%

The tier system can lead to some quirks and occasionally an increase in take-home pay can be wiped out by higher pension contributions.

Example 1
Staff Member 1 earns £49,000 and contributes 10% of earnings = £4,900 a year.

Staff Member 2 earns £49,250 and contributes 11.6% of earnings = £5,713 a year.

If Staff Member 1 receives a small pay rise to earn the same amount as Staff Member 2, the extra pay would be £250 a year, but the increase in pension contribution would be £813, leaving Staff Member 1 with lower take-home pay.

For changes in **England and Wales** from 1 October, the key points are:

1. Contributions will be based on actual pay rather than whole-time equivalents. This will be better for part time workers.
2. Each year, the tiers will be increased in line with the Agenda for Change pay award to keep pace with pay increases globally.
3. The changes to the tiers will be phased in over two years from 1 October 2022.
4. Over time, the number of tiers will reduce, with the lowest rate being 5.2% up to an income of £13,246, with the highest rate being 12.5% on all income above £56,164. There will be winners and losers, but at the lower end of the scale, members may pay a higher percentage which will not go down well with full-time lower earners.

In **Scotland**, the current tiers and rates are slightly different and changed on 1 April 2022:

Tier	Earnings	Contribution rate
1	Up to £21,614	5.2%
2	£21,615 to £25,981	5.8%
3	£25,982 to £32,914	7.3%
4	£32,915 to £66,017	9.5%
5	£66,018 to £92,423	12.7%
6	£92,424 to £123,147	13.7%
7	£123,148 and above	14.7%

In N**orthern Ireland**, the tiers and rates will change on 1 November 2022 and again in 2023 (date to be confirmed).

From 1 November 2022:

Tier	Earnings	Contribution rate
1	Up to £13,231.99	5.1%
2	£13,232 to £15,431.99	5.7%
3	£15,432 to £21,478.99	6.1%
4	£21,479 to £22,548.99	6.8%
5	£22,549 to £26,823.99	7.7%
6	£26,824 to £27,779.99	8.8%
7	£27,780 to £42,120.99	9.8%
8	£42,121 to £47,845.99	10%
9	£47,846 to £54,763.99	11.6%
10	£54,764 to £70,630.99	12.5%
11	£70,631 and over	13.5%

Further changes are planned across England, Wales, Scotland and Northern Ireland in 2023.

Tax relief

The tax relief available through the NHS Pension Scheme makes it a very attractive option for saving for retirement, especially considering employer contributions and the death in service and ill health benefits. (The only possible sting in the tail for higher earners is the pension annual allowance tax charge which will be covered in a later part of this guide.)

Members get tax relief depending on the marginal rate of tax they pay. A basic rate taxpayer would get 20% tax relief and a higher rate taxpayer at least 40%.

Employees, including practice staff and salaried GPs, get their tax relief through the PAYE system so their net pay takes this into account.

Self-employed GPs, including partners and locums, have their tax relief managed through their tax returns.

The employer's contribution, paid by the practice, also gets tax relief since the expenditure is tax deductible when working out GP practice profits.

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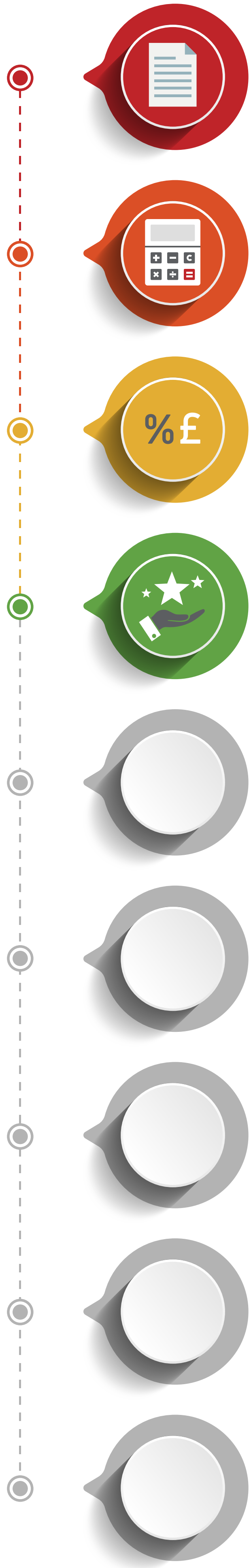
Part 4

Other NHS Pension Scheme benefits



Part 4
Other NHS Pension Scheme benefits

Previous sections of this guide have covered the benefits payable by the NHS Pension Scheme on retirement. However, the scheme also provides important benefits in the event of a scheme member dying or becoming ill, meaning that they can no longer work in their current role. No one plans for these events, but these benefits are valuable for families and often are overlooked.

There are slight differences in the way the cover is provided for the benefits according to the three different parts of the NHS Pension Scheme (1995, 2008 and 2015). However, an overview of the cover is explained below.

Death in service

If a member of the pension scheme dies while still working in the NHS, a lump sum is paid out to the nominated partner. This is based on two times the annual earnings of the member, although each scheme has a different definition of earnings for the basis of this calculation.

In addition, a short-term pension is paid out to the nominated partner for six months based on the pensionable pay at death. A further pension is then paid out after six months at a lower level.

The scheme therefore provides a good level of protection for families. It is, however, worth noting that the pension paid out is linked to the type two ill health calculations (see below).

Pension scheme members should always look at their own circumstances to assess whether they need to top up life insurance cover with policies outside the scope of the NHS. This is particularly relevant to members with younger dependant families.

Death when pension is in payment

If the pension scheme member dies having already taken their pension, there is no lump sum paid on death.

However, a reduced pension will continue to be paid to the nominated partner.

Ill health cover

In addition to death benefits, there are also benefits for members who fall ill and cannot return to their previous work. These fall into two categories:

Type 1 ill health – this applies if the member is unable to do their current NHS job due to permanent ill health. Under this category, a pension will be paid out based on the amount accrued by the member at the time of ill health. No early retirement factors are applied.

Type 2 ill health – this applies where a member is unable to carry out regular employment of like duration to the NHS post due to permanent ill health. ('Like duration' means taking into account whether you are working whole-time or part-time in your NHS job.) In this scenario, the pension is enhanced to factor in lost pension growth between the ill health date and the normal retirement age. Each of the three parts of the NHS Pension Scheme has a different calculation of the lost growth.

It is important to note that whilst these are valuable benefits, individuals should always review their personal circumstances. The level of protection you need in the event of unplanned events changes through the stages of life and so constantly needs reviewing. Note also that benefits may differ for those who are not contributing members of the NHS Pension Scheme.

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Part 5

Lifetime and annual allowance tax charges

Part 5
Lifetime and annual allowance tax charges

The lifetime and annual allowance tax charges are a hot topic for GPs. They have been subject to constant changes by recent governments seeking to limit tax relief on pension growth for higher earners. The most recent changes came in the Spring 2023 budget. While the majority of the NHS Pension Scheme's 1.7m members will not be impacted by either of these tax charges, it is important for practice managers to understand them and how they might affect the GPs in their practices. There are also instances where the annual allowance charge might affect practice managers or non-GPs who are partners in their practice.

Lifetime allowance

The lifetime allowance was a tax charge levied at retirement if the benefits of the pension scheme member are valued above a certain limit.

Up to 5 April 2023 the lifetime allowance had been frozen at £1,073,100. With the NHS Pension Scheme, the valuation is calculated using a factor of 20 x the pension plus any lump sum received.

As an illustration, a member of the 1995 section with an annual pension above £46,656 would have been at risk of a lifetime allowance charge.

Any lifetime allowance tax was paid on behalf of the member by the pension scheme. This was then recovered through a deduction from the annual pension.

From 6 April 2023 the government has proposed that there will be no lifetime allowance tax charges for those exceeding the thresholds. The lifetime allowance concept has not been abolished entirely, however. There remains a possibility of tax to pay on very large cash lump sums. In normal circumstances though, no individual should face a tax charge.

Annual allowance

The annual allowance (AA) tax charge, which was £40,000, is applied to any year where the growth of pension value exceeds a certain limit. The government has increased this to £60,000 from 6 April 2023. Other changes to the scheme and tax rules should allow for more predictability in annual allowance growth calculations.

It is important to note that the measurement of growth does not equal the value of pension contributions paid during the year. Instead, NHS Pensions measure growth by looking at the pension value at the start of the tax year and comparing it with the pension value at the end of the tax year.

If the difference in value, when multiplied by 16 and adjusted for inflation, exceeds £40,000 up to 5 April 2023 or £60,000 after 6 April 2023, an AA tax charge will be levied.

Income needs to be high in a year for the AA tax charge to become an issue. Also, members of the NHS Pension Scheme boosting their pension with additional contributions (known as 'added years') might be affected.

In addition, non-GP partners, such as practice manager partners, may have high growth in years where their profit share has risen significantly.

If you have exceeded the annual allowance level, NHS Pensions are required to send you a Pension Savings Statement showing the in-year growth.

Steps to take if AA allowances are exceeded

The most important thing is not to panic. Tax charges do not mean that contributions to the NHS Pension Scheme should stop.

For members of the NHS Pension Scheme with an annual allowance tax charge, the first port of call is to use any unused allowances from the previous three tax years to reduce the charge. They can then opt for the scheme to pay the tax, although this will again result in a slightly reduced pension on retirement.

It is essential not to pull out of the scheme without having considered all the options, including the lost benefits from the ill health and death in service cover.

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Part 6

Final pay controls

Part 6
Final pay controls

Breaching the final pay control regulations in the 1995 section of the NHS Pension Scheme could lead to your practice being charged thousands of pounds. If you are not aware of the regulations and their implications, here is an explanation.

What are final pay controls?

The final pay control (FPC) regulations were introduced on 1 April 2014 to stop large pay-rises being awarded in the three years before retirement to boost someone's pension.

Who is affected?

The FPC regulations apply to all officer and practice staff members of the 1995 section of the NHS Pension Scheme. This includes practice managers, nurses and some GPs who hold Mental Health Officer (MHO) status.

The regulations to do not apply to salaried GPs and GP partners because they are practitioner members of the pension scheme.

Individuals who are solely members of the 2008 section or the 2015 section of the pension scheme are not subject to final pay controls. This means fewer people will fall within the scope of the regulations as time moves on.

How is the charge calculated?

The charge assesses how much someone's pay rose above an 'allowable amount' in the three years immediately before retirement. A figure is then calculated to establish how much extra pension and lump sum this excess pay creates each year. The figure is then multiplied by a factor to represent how long the pension might be in payment for, and that figure is then levied as a charge to the practice.

What is the allowable amount?

There is a strict and complex three-step process to calculate the allowable amount, based on a person's pensionable pay and the application of the Consumer Price Index inflationary measure at the time the pension is calculated.
Follow this link for more information about how the allowable amount is calculated.

Are there any exceptions?

One of the very few exceptions to the FPC charge is pension benefits awarded on the death of a scheme member.

Since 1 July 2021 exemptions for practice manager and nurse partners (or other non-GP partners) were introduced to allow for the variable nature of partnership profits. An example could be when there is an increase in profits due to fellow partners retiring or reducing sessions. Another would be an improvement to profitability, with the caveat that the practice manager or nurse partner's profit share percentage has not increased.

Who pays the charge?

The default position is that the employer picks up the cost and the invoice will automatically be sent to the GP practice. The charge has to be shown in the accounts as a practice expense.

The staff member's contract of employment may shift the responsibility for any FPC charge onto the employee.

What are the reporting responsibilities?

If you believe one of your staff members is about to trigger an FPC charge when applying for their pension the practice should complete an 'FPC1 form'.

It would also be wise to reserve for the cost in the practice accounts to ensure that the partners at the time the cost was triggered are the ones who bear the cost.

In most cases practices will look to take measures to ensure that a charge is not triggered in the first place.

How can I avoid these charges and are there any other traps I should be aware of?

The only way to avoid the charge altogether is to stay within these parameters for the final three years of a member's service.

There are some nasty traps which can be easy to fall foul of:

- Ill health retirement – the FPC calculation will affect anyone having to access their pension earlier than anticipated due to ill health. This makes planning to avoid a charge much more difficult.
- Bonuses – if a pensionable bonus is given to a relevant staff member within the three-year calculation period then it may be enough to trigger the charge. Consider making any bonuses non-pensionable.

Working out if your practice is at risk of an FPC charge is complicated and requires a thorough grasp of the implications. Taking professional advice on the options available is advisable.

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Part 7

Pension administration is a complex business

Part 7
Pension administration is a complex business

As well as the rules that need to be followed for the NHS Pension Scheme, there are contract requirements regarding the calculation of pensionable earnings, annual pension submissions and pension contribution payments.

To stay on track, it's essential for practice partners and salaried GPs to keep their NHS Pension records up to date.

Primary Care Support England (PCSE) manages pension administration in England via the PCSE Online portal. Partners, salaried GPs and practice managers all have access to PCSE Online.

In Wales pension administration is managed by the Local Health Boards.

Scottish Public Pensions Agency (SPPA) administer the occupational pension schemes for NHS staff in Scotland. All members of the pension scheme can log in via SPPA's My Pension Online Member Service to view their pension information and update their personal details.

In Northern Ireland pension administration is managed by HSC Pension Service.

Annual pension submissions – GP and non-GP partners

GP partners, referred to as Type 1 medical practitioners, and non-GP partners must submit a Type 1 Annual Certificate of Pensionable Profits each year.

The submission deadline is 28 February for the pension year ended 31 March – so 11 months after the pension year end. As an example, for the pension year that ended on 31 March 2022 a 2021/22 Type 1 certificate must be submitted by 28 February 2023.

The purpose of the certificate is to calculate pensionable NHS earnings, the level at which pension contributions need to be paid, and to establish any under/over payment of contributions. The certificate must be signed by the GP or non-GP partner before it is submitted.

The certificate needs to include total employer and employee contributions, together with any Additional Voluntary Contributions (AVCs) for the year the certificate relates to. Practice managers may need to help their GP partners by extracting the figures from their Employee Contribution Statement on PCSE Online.

Annual pension submissions – salaried GPs

Salaried GPs, referred to as Type 2 medical practitioners, must submit a Type 2 medical practitioner self-assessment form each year. The submission deadline is also 28 February.

PCSE will use the information provided on the self-assessment form to determine whether the practitioner has paid the correct tiered contributions across all of their GP pensionable posts.

A Type 2 medical practitioner self-assessment form also needs to be submitted by fee based and self-employed GPs working in practice or for an out-of-hours provider.

Locum GPs are responsible for their own pension administration.

Limited companies

Any GP receiving dividends from a qualifying limited company holding a GMS, PMS or APMS contract delivering list-based services to patients must submit a Type 1 Annual Certificate of Pensionable Profits (Limited Company).

Estimate of pensionable profit

All practices must submit an annual Estimate of Pensionable Profit (EOPP) which provides PCSE with projected pensionable pay so that the monthly contribution deductions for GP and non-GP partners and salaried GPs are as accurate as possible.

The EOPP submission deadline is 1 March before the new pension year. For example, for the 2023/24 pension year commencing 1 April 2023 the EOPP must be submitted by 1 March 2023.

If a GP (excluding a freelance GP locum) or non-GP partner joins the practice after the annual form has been submitted, the practice must submit an additional revised form during the year to reflect the changes.

GPs expecting to receive additional practitioner earnings outside the practice should inform the practice manager so the relevant figures can be included with the EOPP.

Using PCSE Online

PCSE Online allows practice managers to view monthly contract statements, which include deductions made for GP and non-GP partners and the pension contributions for salaried GPs. This is a useful tool to check that the deductions through the contract are being taken at the right amounts based on the submitted EOPP. Identifying any discrepancies on a month-by-month basis will mean that problems are dealt with swiftly.

Note that Type 1 certificates will only be processed by PCSE in sequential order – that is, if 2017/18 certificates have not yet been submitted, PCSE will not process 2018/19 certificates, and so on. Practice managers and GPs can check which years have been submitted.

There are some niggles with PCSE Online. Some years may show as outstanding even when the forms were submitted correctly by the due date. This is because PCSE may not have correctly processed the forms or they have been lost or voided in their systems and may need to be re-submitted.

To check if a GP has any years outstanding or unprocessed by PCSE, login to PCSE Online, select the GP Pensions tab, click the Annual Certificate option from the dashboard and then Listing Screen. Search by GP name but do not specify a submission date. The search results will then show all years for which there has been a processed submission.

What a practice manager can do to help

1. Keep the practice's performer's list details up to date. Any discrepancies can cause unnecessary delays in the processing of NHS Pension scheme details.
2. Ensure GP partners, non-GP partners and salaried GPs are aware of their responsibility to submit an annual pension certificate or self-assessment form by the relevant deadline
3. Encourage GPs to check that their PCSE Online record is showing a full record for certificate submissions
4. Collate Employee Contribution Statement information from each GP and pass on the details to the practice accountant to assist them in preparing the annual pension certificates and self-assessment forms
5. Assist in submitting certificates, self-assessment forms and EOPPs to PCSE by the due date via PSCE Online or via the PCSE Contact Us form
6. Keep the EOPP up to date throughout the year for practice leavers and joiners including any non-GP provider partners.

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Part 8

Administration for eligible staff

Part 8
Administration for eligible staff

On top of the tasks involved in helping partners and salaried GPs meet the NHS Pension Scheme administration requirements, practice managers must also follow the procedures for practice staff who are eligible to be members of the pension scheme.

All employers have general responsibilities to auto-enrol their employees into a pension scheme. For GP practices, the NHS Pension Scheme will be the default scheme.

Practices will be granted employing authority status to have access to the NHS Pension Scheme if they hold a GMS or PMS or 'classic' APMS contract. Practice managers and those administering practice payrolls need to keep up to date with the regulations to ensure the correct procedures are implemented and staff have the correct information in their payroll and pension records.

The following information relates to general staff employees. **Part seven** of this guide explains the rules for salaried GPs. Locum GPs are responsible for their own pension administration.

Pensions Online

For England and Wales, the Pensions Online (POL) portal is the facility provided by NHS Pensions where employers can maintain their employee pension records. Access to POL is via the NHS Pensions website.

In Scotland the SPPA portal Employers Data Management (EDM) is used by employers to maintain their employee's records and this is accessed via the SPPA website.

In Northern Ireland, maintenance of employee records and practice management is via hscpensions@hscni.net

New starters

Provided they meet the eligibility criteria, all new staff joining the practice must be auto-enrolled into the NHS Pension Scheme on the day they start work. A staff member is eligible if they are aged between 16 and 75 and are directly employed by the practice, unless they are already taking their NHS pension benefits from the 1995 scheme. The staff member can choose to opt-out of the scheme under normal auto-enrolment rules. If they opt out or leave the scheme within two years, they are able to claim a refund of their contributions.

The joiner information is submitted via POL. Alternatively, the SS10GP form can be completed manually and sent to NHS Pensions.

Part-time staff

Some staff members might work part-time for several different NHS employers, but they can only receive pension up to a whole-time equivalent (WTE) for the role (usually but not always 37.5 hours).

Up to 30 September 2022, the rate of employee contribution is based on their WTE pensionable pay. This changes to actual pay from 1 October 2022 **(see part three of this guide)**.

Leavers

The practice must notify NHS Pensions if staff members leave the practice, either via POL or manually by sending a leaver spreadsheet.

Maternity/paternity/sickness absence

Staff members can choose to continue paying their pension contributions during unpaid maternity or paternity leave but not if they are on unpaid sick leave.

Redundancy

If a staff member is made redundant, they may be eligible for an early pension settlement.

Death in service and ill-health benefits

If a staff member dies, the practice must complete the death benefit forms.

When an employee has to stop working on ill-health grounds, the practice must advise them of the right to apply for ill-health retirement before they cease employment.

Record-keeping

Practices are responsible for maintaining accurate pension information for their staff concerning contributions, actual pensionable pay, part-time hours worked and what the WTE for the role is, joining and leaving dates, reasons for leaving, and paid and unpaid absences.

Some information must be reported annually and some at the date of the event.

Year-end

The NHS Pension Scheme has a year-end of 31 March, and the required annual information should be submitted by 31 May via POL, or manually by completing the SD55 form.

Benefit statements

Scheme members are able to access an annual benefit statement either themselves via the Total Reward Statement portal (TRS) or via their employers who can access the Electronic Staff Records (ESR) system. Scheme members will find this useful to check that their pension records are correct and to understand their future pension benefits when planning for retirement.

Pensionable earnings

Not all salary is pensionable. Non-pensionable elements include bonuses, reimbursed expenses and overtime in excess of the WTE. All regular payments of salary and unsocial hours are pensionable.

Note that London weighting is pensionable.

Employers need to be aware that excessive pay awards can lead to final pay control charges **(see part six)**.

Pension contributions are paid at different tiered rates which are linked to the level of pensionable earnings **(see part three)**.

Some employees will also be paying added years contributions, additional pension contributions or early retirement buy-out payments. All the employee contributions are given tax relief as a deduction from total salary before tax is calculated

Employer contributions

These are payable at a rate of 14.38% on pensionable pay and must be paid (together with the employee contributions) by the 19th of the month following the month the salary is paid.

Form GP1 has to be filed via POL or manually to support the payment details. Failure to make payments on time will result in a statutory interest charge and additional administrative charges.

Practice manager role

All these tasks add to the practice manager's administrative burden of employing and managing staff. You may choose to outsource some of these responsibilities through a payroll bureau. However, the day-to-day procedures will need to be implemented at practice level to ensure that the payroll team is correctly applying the NHS Pension Scheme requirements to individual staff salaries.

Resources

NHS Pensions: employers hub

Pensions Online

Explaining the NHS Pension Scheme
Updates post-Budget 2023

Part 9

The McCloud Judgement and what it means for NHS Pension Scheme members

Part 9
The McCloud Judgement and what it means for NHS Pension Scheme members

In 2015, the government reformed public service pensions, including the NHS Pension Scheme. These reforms generated significant controversy after a Court of Appeal ruling in 2018 (sometimes referred to as the McCloud Judgement) found them to be discriminatory to younger scheme members.

Background

For most members of the NHS Pension Scheme, the reforms meant a compulsory move to the 2015 section of the scheme. Comparisons between the 2015 section and the 1995 and 2008 sections of the NHS Pension Scheme are broadly:

1. The 2015 section has a later normal age of retirement, although the growth (accrual rate) is slightly greater. This can result in higher pension growth (also referred to as pension input), which might mean the member exceeds the annual allowance threshold. This could trigger a tax charge.

2. Unlike the 1995 section, there is no automatic lump sum, although a member can give up a proportion of their annual pension to take a lump sum.

3. The 2015 section is a "new" NHS pension scheme, as opposed to the 2008 section which was a variation of the 1995 section. This means that members who moved to the 2015 section may have lost a protection against the lifetime allowance tax charge.

4. For officer members (usually non-GPs or officer roles), the 2015 section benefits are calculated on career revalued earnings rather than final salary.

The introduction of the 2015 section only changed how members built up benefits after 1 April 2015. The pension benefits in their legacy (1995 and 2008) sections were not moved across and remained accessible in line with those legacy scheme rules.

Protection was given to those within ten years of retirement (set at April 2012), who were either allowed to remain in their legacy scheme or moved across at a later date to the 2015 section. It was this element of the reforms that was judged to be discriminatory to younger scheme members.

The McCloud Remedy

The government's response, known as the McCloud Remedy, has been to move all NHS Pension Scheme members to the 2015 section from 1 April 2022 and offer a choice in respect of pension benefits during a remedy period of seven years (2015 -2022), as follows:

Receive those seven-year pension benefits in their legacy 1995 or 2008 sections, or
Receive those seven-year pension benefits in the 2015 section (*see deferred choice underpin below)

Option 2 will be offered at retirement.

In the meantime, the member's pension benefits will be recalculated as though the 2015 section did not exist until April 2022. This will give members another seven years of benefits accruing under their old section rather than in the 2015 section. The government has given public service pensions until October 2024 to apply this remedy.

*Deferred choice underpin

For scheme members retiring after October 2023, a deferred choice underpin means they will be offered the choice at retirement of receiving those seven years of pension benefits in their legacy sections or under the 2015 section.

Those members who have already retired will be drawing their NHS pensions, assuming they moved across to the 2015 section, in 2015. They will be contacted by NHS Pensions with respect to the deferred choice underpin and asked to make their choice which will be applied retrospectively.

What needs to happen now?

For most members of the NHS Pension Scheme, the reforms meant a compulsory move to the 2015 section of the scheme. Comparisons between the 2015 section and the 1995 and 2008 sections of the NHS Pension Scheme are broadly:

No action is required. Members of the NHS Pension Scheme do not need to do anything for the McCloud Remedy to apply. It will be automatic, as though they never moved to the 2015 section.

However, due to administrative delays, pension benefit statements are still showing pension benefits in both the 1995 or 2008 sections and the 2015 section. Consequently, any pension savings tax charges or pensions being drawn at retirement are calculated on this basis.

Resolving potential annual allowance pension tax charges

Up until 31 March 2022, any annual allowance pension tax charges have been worked out as though individuals moved to the 2015 section. These will be reworked as part of the McCloud Remedy. If members have underpaid the pension tax charge as a result of the remedy, then they will need to settle the additional tax to HMRC or amend/put in place a scheme pay arrangement. Where the pension tax charge has been overpaid, a refund can be arranged, or an amendment made to the scheme pay election.

Those members who have suffered annual allowance pension tax charges since 2015, or who have recently received the 'brown envelope' with their numbers for 2021/22, may wish to contact their specialist medical accountant or financial adviser given that the numbers are likely to be revised once the McCloud Remedy is applied.

Resolving potential lifetime allowance tax charges

Anyone drawing their pension benefits currently will have their pensions worked out without the McCloud Remedy and so enhanced lifetime allowance protections will not have been considered since they will have been deemed to be lost. In addition to pension benefits being revised, any lost lifetime allowance protections will be reinstated.

If in doubt, talk to an expert

These changes affect all members of the NHS Pension Scheme – both GPs and their employees. As mentioned above, the McCloud Remedy will be applied by NHS Pensions in due course and scheme members do not need to do anything for this to happen. It is likely that NHS Pensions will first contact scheme members who have already started drawing their pensions.

Those considering, or who have recently started, drawing their pension should contact a specialist medical accountant or independent financial adviser to gain an understanding of how the remedy could apply to them and affect the decisions they are now making.

We hope you have found this guide helpful. If you would like further advice about your accounts or any aspect of the financial management of your practice, visit the AISMA website to find your nearest AISMA accountant.

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PRACTICE INDEX

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