

The new GMS contract explained

Focus on....

Pension Flexibilities

This guidance note has been produced by the General Practitioners Committee and the BMA's Pensions Department to help GPs and Local Medical Committees in understanding the new arrangements for the calculation of pensions for doctors who have portfolio careers in the NHS. This is one of a series of guidance notes on the new contract. It also covers the inclusion in the pension scheme of non-practitioner partners.

The guidance applies to all four UK countries.

Background

The NHS Pension Scheme has two ways of calculating pensions. For general medical and dental practitioners, there is the practitioner method. This records pensionable earnings throughout the individual GP's career and uplifts these to a current value by applying a dynamising factor¹ linked to the earnings of the profession as a whole. Pensions are awarded based on the total of these revalued earnings multiplied by 1.4 per cent.²

Also available is the officer method, which is used by the vast majority of employed doctors, including hospital doctors. This records the length of service worked and awards a pension based on this length of service, divided by the accrual rate (1/80th) multiplied by the final pensionable pay³.

Previously, practitioners who had mixed periods of service, typically time as a GP principal and as an employed doctor, could end up with two pensions; one based on each method.

The new GMS contract has introduced additional flexibilities for all members of the Scheme to allow these mixed periods of service to be calculated together on the practitioner basis, if this would produce a better result. If the total pension is higher under the old methods, doctors will still receive these as separate pensions. Furthermore, an additional change revalues practitioner earnings, for doctors who move out of general practice and into hospital work, by either the retail price index or the dynamising factor, whichever produces the better result.

Non-practitioner partners have previously only been able to join the NHS pension schemes in PMS practices. This is now extended to all partners of GMS practices under the new GMS contract.

Effective date of change

These more flexible pension calculations now apply for doctors retiring with a mixture of practitioner and officer (non-practitioner) scheme membership. Regulations introducing these arrangements were made effective from 1 April 2003 so that any affected doctors retiring on or after this date will

¹ A 'Focus on the dynamising factor' is also available.

² This is known as the 'accrual rate' and is applied to all GPs' pensions. The 1.4% figure has been calculated as the rate required to produce a pension that is broadly equivalent to that earned by other Scheme members calculated using a different method. The exact results will depend on each individual's earnings pattern.

³ An accrual rate of 1/80th (1.25) under the officer method is designed to provide a pension broadly equal to 50% of a member's salary after completing 40 years of service. Final pensionable pay is calculated from the best pensionable pay received in the last three years of employment.

have their pension calculated under the new methodologies and the better result put into payment. Due to the delay in the confirmation of the dynamising factor for 2003-04 (and this being an interim factor), the Pensions Agency will review all GP pensions awarded from 1 April 2003 and will write to members whose benefits are improved. Doctors and employers need take no action. When the final dynamising factor is agreed, the process will be repeated. Non-practitioner partners will be eligible for membership from 1 April 2004; however, regulations have yet to be made to allow this so membership will be backdated once these regulations are in place.

The changes in detail

The changes were agreed in the new contract for general medical service practitioners, but apply to all practitioner members. The changes ensure that the Scheme will, in future, operate more flexibly when doctors, dentists and ophthalmic practitioners move between posts in general practice and hospital care. The additional flexibility is displayed in italics.

1. Service before becoming a principal practitioner

(a) Less than 10 years' membership before becoming a principal practitioner

For practitioners who became principals before 31/03/77 and have reserved rights, they will receive a practitioner pension for earnings since becoming a practitioner and;

either,

a separate pension for the hospital⁴ work using the officer method;

or

an addition to the practitioner pension pro-rata to the length of the hospital work;

or

a practitioner pension for all work, treating your hospital earnings as if they were practitioner earnings.

It is anticipated that this option is likely to be of benefit to certain part-time GPs.

(b) More than 10 years' membership before becoming a principal practitioner

Practitioners who have a total pensionable service of more than 10 years (including any added years purchased) before becoming a principal practitioner will receive a practitioner pension for earnings since becoming a practitioner and;

either,

a separate pension for the hospital work using the officer method;

or

a practitioner pension for all work, treating your hospital earnings as if they were practitioner earnings.

Previously this pre-practitioner service *had* to be treated as an officer pension and was based on pensionable pay at the time of moving to general practice, uprated by the retail price index only.

2. Those members who have worked in general practice before moving to hospital care will receive

⁴ The terms "hospital work", "hospital care" and "hospital earnings" encompasses any pensionable NHS employment that is not pensioned on the practitioner method regardless of where this work is completed.

A separate pension for the hospital work using the method shown in the main Guide to the Scheme and the most favourable of the following:

either;

a practitioner pension plus pensions increase (linked to prices);

or

a practitioner pension based on earnings up to ceasing to be a practitioner, increased by dynamising factors (linked to earnings) up to retirement.

This flexibility protects the practitioner from losing out from any difference between the retail price index and the dynamising factors after moving from general practice. The 'better of' the two calculations is automatically applied to the practitioner earnings to produce the total revalued earnings used to calculate pension.

The NHS Pension Agency has confirmed that there is no time limit applied to moves between general practice and hospital service for this benefit to apply. Therefore, any doctor with previous pensionable service as a GP will benefit from this change if they have not yet retired from the NHS and drawn their pension. In addition, this flexibility will also apply for any doctors who have previously left the NHS if they return to NHS work in any capacity before eventually retiring.

3. Members who work in both general practice and hospital care at the same time (and hospital care is for more than one year) will receive pension benefits that are the most favourable of the following

A separate pension for the hospital work using the officer method plus a separate practitioner pension;

or

a practitioner pension for all work, treating your concurrent hospital earnings as if they were practitioner earnings.

If hospital service is less than one year, the hospital earnings are automatically added to the practitioner earnings for pension purposes.

4. Non-practitioner partners

Non-practitioner partners are now eligible to become members of the NHS Pension Scheme from 1 April 2004, subject to the making of regulations. They will be pensioned under the officer method.

Pension contribution arrangements will be the same as any other practice partner or employee and they will also be eligible for NHS injury benefits, but not redundancy benefits under the NHS compensation scheme.

Once regulations are in place membership is **automatic** from either 1 April 2004 or the date they joined the practice if this is later. They may choose to opt out of membership and if so, should do so on a form that is available from the Pensions Agency. Practices with non-practitioner partners should be setting aside employer contributions. Individuals should be setting aside their personal contributions.

At the time of writing, it is anticipated that service will be earned on a whole-time basis and pensionable pay will be agreed with the PCO based on partnership share.

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