UK200healthcare group news
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doctors & dentists

UK200Group
independent quality assured professionals

pension changes – more than just NHS scheme issues

What a year – a diamond jubilee, the British Olympics and changes to the NHS pension scheme. We are now firmly in the throes of the biggest changes to pension legislation, for employees and employers alike, for arguably 50 years. For those that thought it would never happen – it has, it's here and it's affecting you and your practice!

Automatic enrolment

What is it?
New legislation requiring all employers to have in place a pension scheme for employees, to which both the employer and the employee contributes.

Why is it happening?
A government drive to increase standards of living in retirement and to make us all more engaged in funding for our retirement.

When does it happen?
The largest employers are starting to put schemes in place now. Some aspects of the legislation came into effect from 1 July, with respect to inducements to employees and prospective employees not to join pension schemes.

What do I need to do?
First of all check when it affects you by logging on to the Pension Regulator's website* and looking at their staging dates. Don't delay taking action until your staging date – you may need to budget for changes to the amount you contribute now and will certainly need to plan how you communicate this and keep records.

How do I get help?
There are a number of tools on the Regulator's website to assist you in assessing what you need to do, when, associated costs and assistance with communications to your employees etc. We recommend that you also seek professional advice.

Other changes this year
Amidst all the press and publicity about changes to the NHS scheme and automatic enrolment – don't forget the other changes over the last 12 months and the checks you need to make.

The annual allowance
You can now put £50,000 per year into pensions and there are some facilities to carry forward unused allowances from the previous three years.

The lifetime allowance
This has now reduced to £1.5 million.

The way in which these are calculated
The basis of calculation has changed – particularly with regard to the formula for capitalising the benefits gained in a year for schemes like the NHS scheme. For high earners, there is a real danger of exceeding the limit eligible for tax relief, particularly if you are buying added years or contributing to a personal pension as well. Talk to a professional advisor if you are in any doubt.

*http://www.tpr.gov.uk/staging

Richard Martin, UK200Healthcare Group member

UK200Group healthcare

dentists: pension pay and the ARR

In early April, every practice in England and Wales with a GDS Contract or a PDS Agreement receives its Annual Reconciliation Report (ARR). It is a statutory duty of the contract holder to have returned a completed ARR to the PCT/LHB by 31 May.

The ARR is the cornerstone in the process of identifying the pensionable pay of the dentists at the practice. It is this pensionable pay that will eventually determine the amount of the NHS pension for each dentist. It is therefore essential that the ARR is accurate in apportioning the pensionable pay available at the practice amongst its dentists who are members of the NHS Pension Scheme (NHSPS).

The main issues and problem areas that were identified related to:

- The adoption of a common procedure of ARR completion
- The correct allocation of the practice's pensionable pay amongst the dentists at the practice
- What constituted an associate's pensionable pay
- In the case of a practice that had incorporated what constituted the pensionable pay of the director/shareholders, particularly in a limited company with mixed (NHS and private) income.

As a result of the discussions, with the pensions agency business services at Eastbourne the BDA and NASDAL, the guidance notes to the 2011/12 ARR now give much more comprehensive guidance as to the correct completion of this year's ARR.

The correct procedure for completing the ARR and the allocation of pensionable pay is now as follows.

Step 1

Calculate 43.9% of the achieved GDS/PDS contract value. This identifies the maximum pensionable pay available to the practice and is a ceiling that cannot be exceeded when the pensionable pay is distributed amongst the dentists at the practice who are members of the NHSPS.

Step 2

Identify any dentists at the practice who are not members of the NHSPS, such as:

- Dentists already in receipt of their NHS pension
- Dentists who have opted out of the NHSPS
- Associates who are incorporated and who cannot pension their income with effect from 7 November 2011.

Step 3 Sole practitioner or partnership

The pensionable income allocation to the dentists at the practice is as follows.

- Following step 1, calculate 43.9% of the achieved GDS/PDS contract value. This is the pensionable earnings ceiling
- Declare the pensionable pay of the associates. This is the actual net amount paid for GDS/PDS work undertaken in the pension year ending at 31 March
- The declared pensionable pay of the associates is deducted from the pensionable pay ceiling. If the practice has any dentists identified in step 2, their earnings are also deducted from the ceiling
- In the case of a sole practitioner, the balance remaining represents the pensionable pay of that sole practitioner.
- In the case of a partnership, the balance remaining can be allocated between the partners in any proportions provided by the partnership agreement.

The total pensionable pay allocated to the dentists working at the practice cannot exceed the pensionable pay ceiling identified in step 1. If there is working at the practice a non-pensionable dentist identified in step 2, then the declared pensionable pay on the ARR will fall short of the ceiling by the amount earned by the non-pensionable dentist. It is unlawful for this shortfall to be allocated to other pensionable dentists at the practice.

If the practice employs a dentist, then the amount of that dentist's basic NHS salary constitutes their NHS pensionable pay and must be deducted from the pensionable earnings ceiling to arrive at the balance available to the sole practitioner or partners.

Limited company

Where a practice has incorporated and the limited company holds the GDS contract or PDS agreement, the limited company is required to complete an ARR as the provider. The process involved for the company is exactly the same as occurs for a sole practitioner or partnership, up to the point that the balance of the pensionable earnings ceiling has been determined.

At this point the pensionable pay of the director/shareholders who are active NHSPS members is the amount of salary and dividends paid to those director/shareholders in the year to 31 March, the NHS pension year.

It is often the case that where a practice has incorporated, the limited company receives mixed dental income (ie NHS and private). In these circumstances, there is no need to apportion salary/dividends between NHS and private income for NHSPS purposes. All salary/dividends paid to dentists who are active NHSPS members, up to the ceiling, are available for allocation as NHS pensionable income.

It is important to ensure that where dividends are paid in a limited company that all the company law and tax rules are followed when a dividend is paid. Failure to meet the necessary requirements may result in a void dividend with unwelcomed tax consequences. Where salary and dividends paid to director/shareholders falls short of the pensionable pay ceiling, the unused balance cannot be carried forward to future pension years and it is unlawful to allocate the shortfall to any other pensionable dentist at the practice.

The Pension Agency had identified that one of the main problem areas with earlier ARRs was the understatement of the pensionable pay of some 3,000 associates. The guidance notes with the 2011/12 ARR now clarifies the position, in that the pensionable pay of an associateis the amount paid to the associate for GDS/PDS work undertaken.

It therefore does not matter about the terms of the individual associate agreement. All that does matter, for pensionable pay purposes, is the amount that is eventually paid under that agreement to the associate for GDS/PDS work.

In November 2011 new legislation was enacted. As a result of this legislation, it is likely that there will be major changes in the 2012/13 ARR, which will further safeguard the pensionable pay position of associates.

In the meantime, the 2011/12 ARR and its guidance notes are a considerable improvement upon earlier versions and should ensure a more accurate pensionable pay allocation to dentists involved.

David Paul
UK200Healthcare Group committee member

GPs in brief...

Practices without formal agreements left vulnerable

Practices have been warned to ensure they have up-to-date partnership agreements in place after it emerged that a quarter of the 400 practices covered by the Wessex Local Medical Committee (LMC) were working without a legally binding contract. Some were working under agreements that were out of date, while others had failed to add new partners to the contract, leading to an increased risk of litigation and frequent disputes. The chief executive of the Wessex LMC, Dr Nigel Watson, said: *"We've seen minor problems escalate into major problems, and with no rulebook this rumbles on until the point where they want a partnership split."*

Read more at:
http://snipurl.com/24woxgu

GP-led providers struggle to win NHS 111 contracts

NHS Direct has won nine NHS 111 contracts out of 26 awarded so far, compared with GP-led organisations, which have only managed to secure five. GPs raised concerns earlier this year that GP out-of-hours services were losing out on contracts to ambulance services, despite the increased workload GPs are expected to face from NHS 111.

NHS Direct chief executive Nick Chapman said: *"We are delighted to have been selected as the preferred provider for the NHS 111 service in a number of areas so far."*

Read more at:
http://snipurl.com/24woyva

GPs told to ensure contracts are correct ahead of NCB handover

GP practices are being urged to ensure their contracts are up to date before they are transferred to the NHS Commissioning Board (NCB) in April. NHS Manchester has begun re-issuing contracts ahead of the handover to make sure they are correct.

The GPC deputy chairman, Dr Richard Vautrey, warned that: *"All practices should have a copy of their contract. This is a basic requirement of being a contractor. This is particularly important when one party to the contract is changing, particularly to avoid any potential contractual problems in the future."*

Read more at:
http://snipurl.com/24wp061

dentist in brief...

Report exposes deepening cavity in dentists' pay packet

Dentists across England and Wales have suffered a pay cut of 13% over two years, alongside a 5% increase in practice expenses, according to new figures published by the NHS Information Centre. The average taxable income for self-employed primary care dentists in 2010/11 was £77,900, compared with £84,900 in 2009/10 and £89,600 in 2008/09. Dr John Milne, chair of the British Dental Association (BDA) General Dental Practice Committee, said: *"The dental profession is suffering a pay cut rather than a pay freeze, which could jeopardise the resources high street dentists need to provide the best quality care to patients."*

Read more at:
http://snipurl.com/24wp16o

Major review of cosmetic surgery to include dentistry

A major new review of cosmetic surgery and procedures will extend to teeth whitening, Botox and dermal fillers, it has been revealed. The review, which has been announced following the recent PIP breast implant scandal, will examine the regulation of the cosmetic surgery industry, patients' access to pre-surgery information, and the quality of aftercare.

The chair of the BDA's Principal Executive Committee, Dr Martin Fallowfield, said: *"The BDA supports appropriate, proportionate regulation, and will be providing a full response to this consultation."*

Read more at:
http://snipurl.com/24wp2t9

Concerns raised over pilot dental contract for England

The General Dental Practice Committee has promised ongoing vigilance as pilots for a new dental contract in England continue.

Numerous concerns were raised about the pilots through focus groups held in Manchester, Birmingham and London, where participants' reservations included a lack of confidence in the feasibility of rolling out a new contract in small practices, and the danger that patient access could take a 'short-term hit' if a new system was introduced on a wide scale.

Read more at:
http://snipurl.com/24wp4gg

the law is changing – doctors take note

The Europe-wide ban on gender-based pricing for insurance will impact everyone in the UK including doctors, who, in our experience, have amongst the highest levels of usage of insurance products.

In March 2011, the European Court of Justice (ECJ) issued a landmark ruling on a case involving sex equality and insurance premiums brought by a Belgian consumer group, Test-Achats. The question before the judges was whether the exemption from the European Union's equal treatment rules allowing insurers to calculate gender premiums was valid.

The ECJ ruled, with effect from 21 December 2012, the use of gender as a factor must not result in differences to individuals' premiums and benefits (a pension income) for insurance and related financial services contracts. A number of key financial products will be caught by the ruling including motor insurance, annuities and life, critical illness and income protection insurances. The change will affect any new insurance policies taken out from 21 December. Existing annuities will remain unaffected, as will established insurance contracts, at least until they are renewed.

HM Treasury has estimated that prices for some policies could rise by as much as 25% [1]. This mean clients could save themselves hundreds (possibly thousands) of pounds over time by acting before 21 December. Clients who are considering a new insurance contract, or a change to, or renewal of an existing policy, should speak to an independent financial adviser to understand their options.

Andrea Sproates, Head of BMA Services at AWD Chase de Vere
AWD Chase de Vere provides specialist advice to doctors, and is the only independent financial adviser endorsed by the British Medical Association.

[1] UK response to the 1 March European Court of Justice ruling, December 2011.

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focus on seniority

Seniority payments are rewards for NHS GPs based on their level of experience and are normally paid quarterly to GP practices. The amount of Seniority receivable in respect of each GP is dependent upon their years of reckonable service and their 'Qualifying Income Fraction'.

The 'Qualifying Income Fraction' looks at how much a GP has earned in NHS superannuable profits compared to the national average. If they have earned less than one third of the national GP average for NHS superannuable income, then they will not be eligible to receive any Seniority payments in respect of that year; if they receive between one third and two thirds of the national average, they will receive 60% of the Seniority payment; and if they earn two thirds or more of the national average, then they will be eligible to receive 100% of the Seniority payment.

GPs whose NHS earnings are likely to fall just below the 'Qualifying Income Fraction' bands might want to consider making small increases to their NHS activity, where feasible, in order to avoid missing out on the higher band levels of Seniority income. As a GP's entitlement to Seniority has to be calculation with reference to the average GP NHS superannuable earnings, it means that all partners in GP practices have to complete and submit superannuation certificates each year, even if they have opted out of the NHS pension scheme itself.

As the final NHS national earnings averages cannot be known until after all of the GPs superannuation certificates for a scheme year have been submitted and processed, it means that an interim figure is used in the meantime, known as the 'Interim Seniority Factor'. For 2012/13 this was fixed at £96,646 in England and £82,261 in Wales. The NHS therefore calculates and pays the Seniority payments based on these interim figures and then makes any required adjustments at a later date, once all of the final figures are known.

This does mean that there can be significant delays in final Seniority adjustments being made in relation to individual GPs. For example, the final Seniority Factors (average NHS earnings) for 2010/11 are not expected to be published until early 2014. This delay explains why you often have GP Seniority adjustments for prior years being put through by the NHS a number of years after the original period they relate to.

Richard Martin, UK200Healthcare Group member