

# **NHS Pensions Review**

FAQ - Allocation to Tiers

Officers

2008/9

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## Contribution Rates

1. What are the employee contribution rates?

Tier	Annual Pensionable Pay (Full time equivalent)	Contribution Rate
1	Up to £19,682	5%
2	£19,683 -£65,002	6.5% (except for manuals who retain 5%)
3	£65,003- £102,499	7.5% (except for manuals who retain 5%)
4	£102,500 plus	8.5% (except for manuals who retain 5%)

2. What is the employer's contribution rate?

The employer's contribution rate remains at 14%.

3. What about pence?

When allocating a tier pence should be ignored. That is, you always round down.

4. Is a tier applied to the whole amount or only to income over the threshold?

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.

5. Will there be a new table for 08/09?

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

6. Will tiers be revised when the new table is issued?

No. The updated table will be used for new starters who start after the new table is issued. It won't be applied retrospectively.

7. When do the new tiered contributions start?

The new contribution rates are to be applied from Tax Week 1 / month 1 2008/9.

8. Why weren't the tiers linked to pay scales?

There are many members of the NHS Pension Scheme, for example staff in hospices and GP surgeries, who are not on NHS pay scales. The tables also apply to practitioners who are not paid on pay scales.

9. Can a member appeal against a tier?

There are no formal procedures for appeal. If a member believes they have been allocated an incorrect tier by an error in applying the regulations then they should contact their employer. It should be noted that querying a tier on the grounds that income in 07/08 was not representative of income expected in 08/09 is not valid grounds for a challenge and the employer has no discretion in applying the regulations.

## Manual Workers

10. What tier should be set for a current manual worker?

Manual workers employed in 07/08 will be members of the “revised scheme” as opposed to the “new scheme”. Therefore, they will all be allocated the 5% tier regardless of earnings.

11. What tier should be set for a manual worker who starts in 2008/09?

A manual worker starting in 2008/09 may be a member of the “revised scheme” or the “new scheme”.

If they are a deferred member returning to the “revised scheme” and their last scheme employment was as a manual worker then they will be allocated the 5% tier as they have protected rights.

However, if their last scheme job was not manual or they are joining the “new scheme” then their tier will be based solely on full year, full time equivalent pensionable pay, see “**Full Year, Full Time Equivalent Pensionable Pay**”.

12. Does a manual worker lose the 5% tier if they change from manual?

No. Once the tier has been set it will not be adjusted if the member moves to non manual employment.

13. Is protection for manual workers permanent?

No. Protection for manual workers applies to 2008/09 scheme year only.

## Full Year, Full Time Equivalent Pensionable Pay

14. What is Full Year, Full Time Pensionable Pay?

Full year, full time pensionable pay is all pensionable pay scaled to the equivalent that would have been paid had the member been full time employee, employed for a complete year. For example:

- a. A part time employee working 20 hours for a complete year and earning £20,000. If full time hours for the post were 37 the full time equivalent would be calculated by scaling the £20,000 by 37/20. That is full time equivalent =  $£20,000 \times 37/20 = £37,000$ .
- b. A full time employee starting half way through the year working 6 months out of the 12 and paid £20,000 for the half year. The full year equivalent would be calculated by scaling the £20,000 by 12/6. That is full year equivalent =  $£20,000 \times 12/6 = £40,000$ .
- c. A part time employee (works 20 hours, full time is 37) starting part way through the year (works 6 months out of the 12) and is paid £10,000 for the year. The full year, full time equivalent would be calculated by scaling the £10,000 by 12/6 and then by 37/20. That is full year, full time equivalent =  $£10,000 \times 12/6 \times 37/20 = £37,000$ .

15. Why are we scaling to full year, full time?

We are scaling to full year, full time so that part time staff and full time staff are treated equally. Without scaling an employee with two part time jobs could be tiered at a lower rate than a full timer even if they earn the same money overall. Without scaling, a part timer with a very high hourly rate could be tiered at a low rate simply because they work few hours.

Similarly, without scaling to a full year, staff starting on the same pay at different times of the year could attract different tiers even though they are paid the same.

16. What if someone changes jobs in 07/08 but stays with the same employer?

Both jobs should be included in the 07/08 pensionable pay figure and scaled (where necessary) to a combined full year, full time equivalent. For example:

- a. A full time employee works the first 6 months for £10,000 and the second 6 months for £15,000. Full year, full time pensionable pay for the year would be £25,000.

17. What if someone changed employers in 2007/08?

If an employee changed employers in 2007/08, the employer will scale to a full year, full time equivalent based on the employment with them. For example:

- a. A full time employee works the first 6 months for £10,000 for one employer and the second 6 months for £15,000 with the second (current employer). Full year, full time pensionable pay for the year would be  $£15,000 \times 12/6 = £30,000$ .

18. Do we include pensionable allowances, enhanced pay or do we just use basic pay?

Pensionable pay should include all pensionable pay and will include all pensionable allowances and enhanced pay etc.

Pensionable allowances and enhanced pay should also be included in any scaling to full year and full time.

19. Do all pensionable allowances get scaled to full year and full time?

Yes. All pensionable pay for a part time or part year member is included in the pro rata scaling to the full year, full time equivalent.

20. Do we include overtime payments?

Overtime is not included as it is not part of pensionable pay.

21. Do we adjust for disallowed days?

Yes. Pensionable pay should be adjusted for unpaid days in the same way that part years are scaled to full years.

22. What is pensionable pay for someone on sick pay or maternity pay etc?

For members with maternity leave, parental leave, paternity leave, sick leave (half pay, no pay, SMP, SSP etc) or career breaks etc, normal 'deeming rules'. Pensionable pay used to determine the tier should be based on their deemed (i.e. unreduced) rate of pay.

23. Do we adjust for arrears or error corrections which may be included in the 07/08 figures?

No. Pensionable pay used to determine the tier should be based on all payments made in 07/08. Employers are not able to adjust for any arrears or corrections in 07/08 which relate to earlier years. In some cases including arrears may move some individuals into a higher tier. However, the scheme legislation states that the amount paid in 07/08 (including deemed paid) must be used.

24. What do I do if the employee has multiple pensionable posts?

Each post should be treated separately and not aggregated. Each post should be scaled to its full year, full time equivalent and set a tier independently of the other employments. This may result in different employments receiving a different tier.

25. How do I allocate a tier to a salaried GP?

Salaried GPs are practitioners and are set their tier by their host PCT / Health Board. Organisations that employ salaried GPs cannot set the tier themselves; they must approach the host PCT / health board and ask them what tier to apply.

26. How do I allocate a tier to a GP doing bed fund, solo work, PECs etc?

Bed fund, solo work and PECs are classed as practitioner income. All tiers for practitioners are set by their host PCT / health board. Organisations that employ GPs completing practitioner work cannot set the tier themselves; they must approach the host PCT / Health Board and ask them what tier to apply.

27. How do I allocate a tier to a GP working as an Officer?

If the GP is in an officer post then the tier for the officer post is set by the employer based on the officer rules. That is, they are tiered for the officer post based on full year, full time pensionable pay for that post. They will receive a separate tier for their practitioner work, allocated by their host PCT / Health Board

28. If someone gets promoted, steps down, changes employer etc. will pensionable pay be recalculated and a revised tier allocated?

No. Once set a tier in 08/09 it will not be revised for promotions, step downs, change of employer etc. However, there two exceptions to this:

- a. If someone moves to or from a zero hours contract.
- b. If someone moves to/from multiple employment.

See ***"Taking your tier from job to job"***.

### **New starters in 2008/09**

29. How do I set a contribution tier for a new starter?

This depends on whether the member has already been assigned a tier by a previous employer:

- a. If the member was employed by the same employer on 31<sup>st</sup> March and 1<sup>st</sup> April then they will have been allocated a tier. If this is the case then they will retain their existing tier unless they are moving to/from a zero hours contract or to/from multiple part time employment. See ***“Taking your tier from job to job”***.
- b. If the member changed employer on the 31<sup>st</sup> March / 1<sup>st</sup> of April or returned to the scheme on or after 1<sup>st</sup> April or is a new joiner for the scheme then they won't have been assigned a tier. If this is the case then the member should be allocated a tier based on an estimate of full year, full time equivalent pensionable pay based on the new post. Estimated pay should be scaled to full year, full time using the same techniques explained in ***“Full Year, Full Time Equivalent Pensionable Pay”***.

### **Taking your tier from job to job**

30. When I move jobs do I get a new tier?

Once a tier has been set for 08/09 it will not be revised for promotions, step downs, change of employer etc. However, there two exceptions to this:

- a. If someone moves to or from a zero hours contract. For example moving from one bank employment to another, moving from bank to a part time / full time post, moving from a part time / full time post to a bank post. See ***“Zero Hours Contract Staff”***.
- b. If someone moves to/from multiple employment. For example, the member has an existing part time post and starts a second with the same or a different employer. See ***“Staff with more than one job”***.

In both of these cases a member will be a given a tier for the new employment based on an estimate of full year, full time equivalent pensionable pay based on the new post.

31. If I move from a practitioner's post to an officer's post do I get a new tier?

If the member has an earlier officer post in 2008/09 which had already been allocated a tier then the new Officer post will retain the tier allocated to the earlier officer posts – provided it was not a zero hours post or a multiple employment. See **“Taking your tier from job to job”** with respect to moving from officer post to officer post.

Otherwise, the existing tier allocated to the practitioner's post will be retained and applied to the officer's posts provided the member:

- a. has ceased employment as a practitioner prior to starting as an officer; and
- b. does not already hold a part time officer post (classed as multiple employment - See **“Staff with more than one job”**); and
- c. is not starting two or more part time officer posts at the same time (classed as multiple employment - See **“Staff with more than one job”**); and
- d. is not starting a zero hours contract as an officer See **“Zero Hours Contract Staff”**; and

If conditions (b) to (e) aren't met then the member will be given a tier for the new employment based on an estimate of full year, full time equivalent pensionable pay based on the new post rather than carrying the existing practitioner tier forward.

### **Zero Hours Contract Staff**

32. What are Zero Hours Contract Staff?

These are staff such as bank staff who are working under a contract which:

- a. does not guarantee to provide work for the member;
- b. has no specified working hours or working patterns;
- c. only pays the member for work actually done under it

Staff with guaranteed hours etc would be part time or full time staff.

33. How do we calculate full time pensionable pay for bank posts?

Bank staff and all zero hours contract staff are allocated a tier in exactly the same way as other staff. That is:

- a. Manual staff who are members of the “revised scheme” are 5%. See **“Manual Workers”**.
- b. Manual staff who are members of the “new scheme and other staff, are set a tier based on full year, full time equivalent pay. Scaling to full year, full time is based on pensionable payments for the year, full time hours for the grade and pensionable hours paid in the year.



34. Do I have to recalculate a tier each time a bank employee starts work?

No, provided they don't finish and commence an employment. If a bank or zero hours staff stays with the same employer then they will retain their tier for the whole of that employment. However, if they terminate that employment and then restart then they will get a new tier for the new employment. See "**Taking your tier from job to job**".

35. Do I have to calculate a new tier each time a bank employee moves employer?

Yes. A zero hour contract post will always be allocated a new tier if a member moves employers as they will always be starting a new employment. See "**Taking your tier from job to job**".

### **Staff with more than one job**

36. What do you we mean by multiple employments?

By multiple employments we mean staff with more than one pensionable, part time employment covered by separate contracts of employment with the same or different employers.

Staff with a full time and part time employment cannot have more than one pensionable employment as it is not possible to pension more than full time.

We do not count zero hours contracts when determining multiple employments as these are always assigned a new tier when the member moved employment anyway.

We do not count multiple duties under a single contract of employment as multiple employments even if the different duties attract a different rate of pay.

37. How do I calculate tiers for staff with more than one job?

Each post should be treated separately and not aggregated. Each post should be scaled to its full year, full time equivalent and set a tier independently of the other employments. This may result in different employments receiving a different tier.

38. Is a nurse with a part time post and a bank post in multiple employments?

No. Zero hours contracts such as bank contracts are not counted as multiple part time contracts. So for the purposes of assigning a tier, the nurse only has a single part time post.

39. Is someone with different duties paid at different rates of pay in multiple employments?

No. To be counted as multiple employments the different duties would need to be covered by separate contracts of employment.

### **Employer Tier Guides**

40. Where can I find out more about assigning a tier?

41. The Officers guide is at:

[http://www.nhspa.gov.uk/nhspa\\_site/pdf/Officers\\_Allocation\\_to\\_Tiers\\_0809\\_V1.1.pdf](http://www.nhspa.gov.uk/nhspa_site/pdf/Officers_Allocation_to_Tiers_0809_V1.1.pdf)

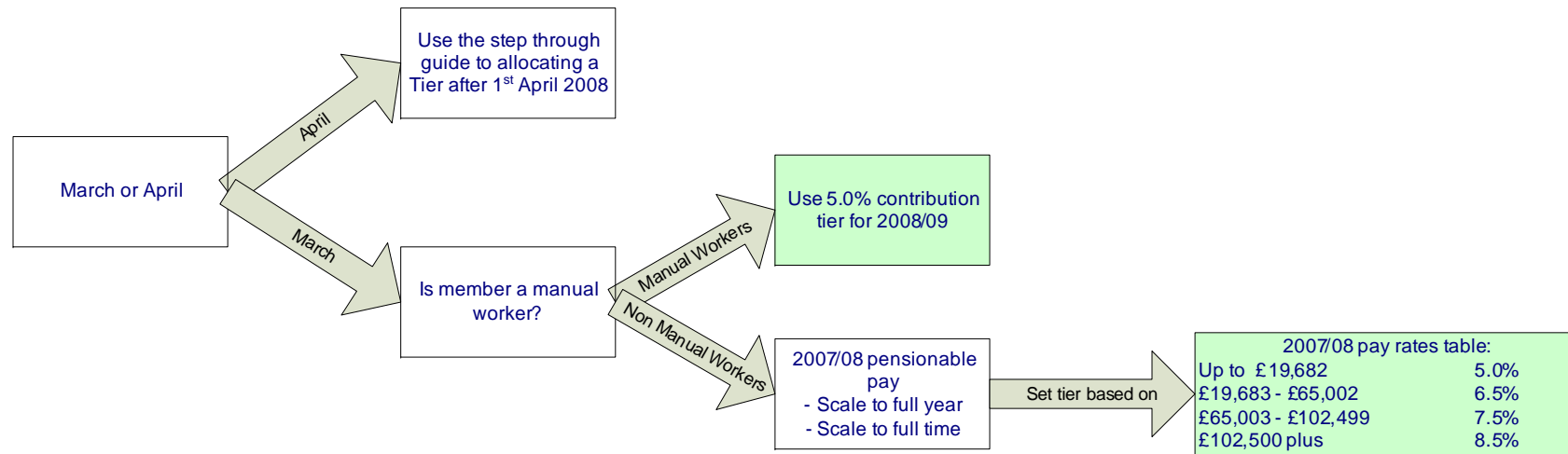
42. The Practitioners guide is at:

[http://www.nhspa.gov.uk/nhspa\\_site/pdf/Practitioners\\_Allocation\\_to\\_Tiers\\_0809\\_V1.pdf](http://www.nhspa.gov.uk/nhspa_site/pdf/Practitioners_Allocation_to_Tiers_0809_V1.pdf)

**Step through guide to allocating a tier on 31<sup>st</sup> March 2008**

Is this pre or post year end?	If it's for a change that took place in April then this step through doesn't apply - skip down to "Step through guide to allocating a Tier after 1 <sup>st</sup> April 2008" below	
Is the post a "manual" post within the meaning of the pension regulations?	If so then the contribution tier is 5% regardless of earnings.	See "Manual Workers"
If not manual then you need to calculate Full Year, Full Time pensionable pay	<p>Use total pensionable pay for 07/08.</p> <ul style="list-style-type: none"> <li>• Include any deemed pay.</li> <li>• Include any pensionable payments made in 07/08.</li> <li>• <b>Do not adjust</b> for payments which relate to previous years.</li> <li>• If pensionable pay is for a part year, scale it pro rata to full year</li> <li>• If pensionable pay is for a part time, scale it to full time.</li> </ul>	See "Full Year, Full Time Equivalent Pensionable Pay"
	Compare Full Year, Full Time pensionable pay to contributions tier table and allocate tier.	See "Contribution Rates"

Step through guide to allocating a tier on 31<sup>st</sup> March 2008



**Step through guide to allocating a Tier after 1<sup>st</sup> April 2008**

<p>Is this pre or post year end?</p>	<p>If it's for the initial March tier setting then this step through doesn't apply – use the earlier "Step through guide to allocating a Tier on 31<sup>st</sup> March 2008" below.</p>	
<p>Has the member already been assigned a tier by a previous employer in 2008/09?</p> <p>If the member was employed by the same employer on 31<sup>st</sup> March and 1<sup>st</sup> April then they will have been allocated a tier.</p> <p>If the member changed employer on the 31<sup>st</sup> March / 1<sup>st</sup> of April or returned to the scheme on or after 1<sup>st</sup> April or is a new joiner for the scheme then they won't have been assigned a tier.</p>		
<p>If Member has <b>not</b> already been assigned a tier then.</p>	<ul style="list-style-type: none"> <li>• If the new post is a "manual" post within the meaning of the pension regulations; and</li> <li>• the member is a deferred member returning to the "revised scheme; and</li> <li>• their last post prior to their break was a "manual" post</li> </ul> <p>Then the contribution tier is 5% regardless of earnings.</p>	<p>See "Manual Workers"</p>
	<p>Otherwise, (i.e. for new non manual workers) use total estimated pensionable pay for the new post scaled to full year and full time where necessary.</p> <ul style="list-style-type: none"> <li>• Include any pensionable allowances in the scaling.</li> <li>• Include any estimated pensionable enhancements.</li> <li>• If pensionable pay is for a part year, scale it pro rata to full year.</li> <li>• If pensionable pay is for a part time, scale it to full time.</li> </ul> <p>And then compare Full Year, Full Time pensionable pay to contributions tier table and allocate tier.</p>	<p>See "Full Year, Full Time Equivalent Pensionable Pay"</p> <p>See "Contribution Rates"</p>

<p>If Member <b>has</b> already been assigned a tier then.</p>	<p>If the member is moving to or from a zero hours employment; or</p> <p>If the member is moving to or from multiple employments.</p> <p>Then:</p> <p>Use total estimated pensionable pay for the new post scaled to full year and full time where necessary.</p> <ul style="list-style-type: none"> <li>• Include any pensionable allowances in the scaling.</li> <li>• Include any estimated pensionable enhancements.</li> <li>• If pensionable pay is for a part year, scale it pro rata to full year.</li> <li>• If pensionable pay is for a part time, scale it to full time.</li> </ul> <p>And then compare Full Year, Full Time pensionable pay to contributions tier table and allocate tier.</p>	<p>See “Zero Hours Contract Staff” and “Staff with more than one job”</p> <p>See “Full Year, Full Time Equivalent Pensionable Pay”</p> <p>See “Contribution Rates”</p>
	<p>Otherwise, (i.e. the member is moving from a single, non zero hours employment to another single, non zero hours employment) retain the tier from the last employment.</p>	<p>See “Taking your tier from job to job”</p>

Step through guide to allocating a Tier after 1<sup>st</sup> April 2008

