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NHS Pensions - A guide to administering the NHS Pension Scheme for Independent Providers and their employees

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Chapter 1: Independent Providers - The Guide and contacting NHS Pensions

What is an Independent Provider?

An Independent Provider, in NHS pension terms, is an organisation that holds a Standard, APMS, or local authority NHS contract however, prior to April 2014, would not have qualified as a NHSPS (NHS Pension Scheme) Employing Authority (EA).

With effect from 1 April 2014 an organisation that holds any of these contracts (and did not previously qualify as an Employing Authority) may now apply, if it so wishes, to become an Employing Authority.

By virtue that some 'classic' APMS contractors (i.e. those that are healthcare professional led) are already NHSPS Employing Authorities means that, from April 2014, all APMS contractors will have access.

Where an organisation, that already has access to the NHSPS, enters into a NHS Standard contract or APMS contract refer to chapter 15 for more guidance.

The Guide

The purpose of this Guide is to provide an overview of 'day to day' NHS pension administration guidance for an Independent Provider (IP) and its employees.

The Guide is divided into several chapters covering different aspects of the NHSPS.

There is more detailed information about the NHSPS on the NHS Pensions [website](#).

Contacting NHS Pensions

There is a dedicated email address that IPs can use to contact NHS Pensions for general enquiries.

nhsbsa.pensionemployers@nhs.net

This email address must not be used to send in the application form or annual Certificate. Refer to chapters 11 and 12.

NHS Pensions
PO Box 2269
Bolton
BL6 9JS

Telephone Numbers:

Employer Helpline: general enquiries 0300 3301 353

Member helpline: 0300 3301 346 or 0191 279 0571

Pensions Online: technical enquiries 0870 011 7108

Chapter 2: The NHS Pension Scheme (England and Wales) – A general overview

The NHS Pension Scheme for England and Wales is administered by NHS Pensions based at Fleetwood, Lancashire.

There are currently two sections to the NHS Pension Scheme; the 1995 Section and the 2008 Section. There is a new NHS Pension Scheme as from 1 April 2015.

The NHS Pension Scheme is a statutory occupational pension scheme where benefits at retirement are based broadly on NHS Pension Scheme membership and pensionable pay. Every eligible NHS employee is a member of the NHS Pension Scheme, unless they proactively opt out.

The NHS Pension Scheme is contracted out of the Second State Pension (formally State Earnings Related Pension Scheme) which means that members pay reduced National Insurance contributions.

The NHS Pension Scheme Contracted out number (SCON) is: S2730000B
The Employers Contracted out Number (ECON) is: E3900000M

The NHS Pension Scheme offers a range of index linked pension benefits at retirement, and life assurance cover. For Scheme year 2014/2015 employer contributions were based on 14% of pensionable pay. However, from 1 April 2015 this changed to 14.3%. From April 2014 employee contributions range from 5% to 14.5% and attract tax relief.

NHS Pension Scheme benefits are paid for by the contributions made by members and employers and are underwritten and guaranteed by the Government, (i.e. Treasury). The NHS Pension Scheme 'fund' is not invested in stocks or shares and is, therefore, not subject to the vagaries of the Stock Market.

The terms of the NHS Pension Scheme are set out in statutory regulations which can be viewed on various websites, including the [NHS Pensions website](#).

The NHS Pension Scheme offers:

- An annual pension and potential tax free lump sum at retirement.
- Life assurance benefits including pensions and allowances for a member's spouse/civil partner (or nominated partner) and dependent children in the event of the member's death.

Pension benefits are index linked to protect their value. Pensions awarded from age 50 do not normally attract cost of living increases until age 55 unless the member retires due to ill health.

The Normal Pension Age (NPA) under the 1995 Section is 60 and under the 2008 Section it is 65. In the 2015 Scheme, the Normal Pension Age is equal to the State Pension Age.

NHS Pension Scheme members may retire voluntarily before Normal Pension Age however, their benefits would be actuarially reduced.

Chapter 3: NHS Pensions responsibilities

NHS Pensions operational functions are to:

- Maintain records of NHS Pension Scheme members and pensioners
- Award pension benefits
- Ensure that Employing Authorities are aware that they must make timely and correct payments of employers' and employees' contributions and maintain and implement such information and other systems as may be necessary to fulfill these functions
- Preserve benefits for early leavers
- Provide basic estimates of benefit entitlement upon request
- Pay transfer values where members move out of the NHS Pension Scheme and receive payments for people transferring into the Scheme
- Pay refunds of contributions
- Process applications to purchase additional benefits under the NHS Pension Scheme
- Publicise the NHS Pension Scheme and encourage awareness among NHS staff about the Scheme and the benefits available
- Comply with all relevant pensions legislation include The NHS Pension Scheme Regulations, The Pensions Act, The Data Protection Act, and The Occupational Pension Scheme (Disclosure of Information) Regulations.

Chapter 4: IPs responsibilities

All IPs (that are NHS Pension Scheme Employing Authorities) are legally bound to administer the Scheme in accordance with statutory pension legislation. IPs are obliged to offer the NHS Pension Scheme to all of their eligible (wholly or mainly/more than 50%) employed staff.

An IP is legally required to:

- Complete an initial IP application/declaration form
- Notify NHS Pensions whenever NHS contracts start or cease by completing a revised IP application/declaration form
- Maintain accurate pension records
- Identify those staff who meet the more than 50% (wholly or mainly) criteria and make them aware of their pension rights by providing such staff with a copy of the Scheme Guide in accordance with Disclosure of Information obligations and the NHS Pension Scheme Employer Charter. Copies of the Guide can be obtained from the NHS Pensions stationery order line. It is also recommended that employers record when such information has been supplied to members and how it has been distributed in case of any dispute at a later date.
- Collect tiered employee contributions at the correct rate and forward these to NHS Pensions by the 19th day of month end
- Collect (if relevant) additional pension, added years, and NHS money purchase additional voluntary contributions and forward these to NHS Pensions by the 19th day of month end
- Pay employer contributions directly to NHS Pensions by the 19th day of month end
- Inform NHS Pensions when a pensionable employee joins or leaves
- Provide form SD502 on request only to those eligible employees who choose to opt out of the NHSPS
- Complete and submit pension benefit claim forms such as the AW8 (NHS pension application) form
- Pay the initial widows/widowers and dependants pensions
- Complete an end of year IP Certificate on time

- Give prior notice if they elect to cease to be a NHSPS Employing Authority
- Give prior notice if they wish to change Scheme access level.
- Stay within the 75% pensionable earnings ceiling on an annual basis
- Co operate in full with NHSBSA/NHS Pensions and the Department of Health
- Comply with all pension legislation.

Chapter 5: How to become an NHS Pension Scheme Employing Authority

Even if an IP meets the relevant pensions criteria by virtue of holding a NHS contract it is not legally required to become a NHS Pension Scheme Employing Authority; it has a choice. However, if it does become an Employing Authority it is bound by statutory pension legislation.

In order to become an Employing Authority an IP must complete an initial application form in full and send it (with supporting evidence) by email to:

nhsbsa.directionapplication@nhs.net

Refer to chapter 11 to learn more about the application/update form.

If an IP would like to password protect the application form then please provide a contact name and telephone number in the covering email and NHS Pensions shall make contact. This email address must not be used for routine pension enquiries.

The address for any correspondence is:

IP Access Team
Technical Consultancy Team
NHS Pensions
PO Box 2269
Bolton
BL6 9JS

The application form can be downloaded from the IP section on the NHS Pensions website. Click onto 'Employer Hub' and then click onto 'Access to the NHS Pension Scheme'.

<http://www.nhsbsa.nhs.uk/Pensions/4328.aspx>

An application from an IP to become an Employing Authority cannot be retrospective.

Any incomplete or incorrect forms will be returned potentially delaying the date the IP will become an Employing Authority.

An IP that does not wish to become an Employing Authority may apply to become an Employing Authority at a future date however this will only be prospective.

An IP that is an Employing Authority but decides it no longer wants to be an Employing Authority must give NHS Pensions and its employees at least six months notice.

If it wishes to become an Employing Authority again at some future date it must complete a fresh application form.

Chapter 6: Closed (restricted) or open NHS Pension Scheme access

Once an IP has decided to become an Employing Authority it must then decide if it wants closed (i.e. restricted) access or open NHS Pension Scheme access.

All of the eligible staff who will join the NHS Pension Scheme must fall under just the one chosen level access. There cannot be a mixture.

Closed (or restricted) access is:

- Only those eligible (more than 50%) employees who were working in the NHS and were entitled to join the NHS Pension Scheme within (i.e. prior to) 12 months of the IP first becoming an Employing Authority; not as a 'closed Direction'.

Or

- All new eligible employees who were entitled to be a member of the NHS Pension Scheme at any time in the 12 months before they first started working for the IP.

For an IP that has elected for closed NHS Pension Scheme access the pensionable earnings ceiling is 75% of the total sum of all the contracts values. However the 75% pensionable earnings ceiling must also include the pay of those staff who spend more than 50% of their time on the Standard/APMS/local authority contracts and who would have qualified for closed access but who are ineligible to join the NHS Pension Scheme or who have opted out by completing form SD502.

Open access is:

- All eligible (more than 50%) employees.

For an IP that has elected for open NHS Pension Scheme access the pensionable earnings ceiling is also 75% of the total sum of all the contracts values. This ceiling however must take account of the pay of all the staff that work more than 50% of their working hours on the NHS contracts including those who are ineligible or who have opted out of the NHS Pension Scheme.

The IP must state clearly on the application form if it wants closed or open NHS Pension Scheme access.

If an IP wishes to change from closed to open access it must give NHS Pensions three months notice.

If an IP wishes to change from open to closed access it must give NHS Pensions (and its employees) six months notice.

Important - Employers are advised to identify those employees who will be eligible for NHS Pension Scheme membership in advance of submitting the application form in the event that the application is accepted so that such employees can be enrolled into the NHS Pension Scheme with effect from the date the application is accepted. Therefore when indicating when access is required from employers should take this into consideration and ensure this is a realistic date. Those applying for closed access must also remember that the date chosen is likely to affect the number of employees who may be eligible for NHS Pension Scheme membership.

Remember that IP access to the NHS Pension Scheme does not relate to staff who are NHS Pension Scheme members by virtue of falling under a new fair deal/closed Direction arrangement.

Chapter 7: NHS Pension Scheme membership

Eligibility

Every employer in the UK has a legal duty to ensure that its employees are afforded their legal pension rights whether that is the NHS Pension Scheme or other pension arrangements.

Once an IP has decided to become an Employing Authority the staff who are eligible to join the NHS Pension Scheme will be regarded as Officers in NHS pension terms. They must be put into the NHS Pension Scheme on the first day of their employment subject to them:

- meeting the 50% or more criteria, **and**
- that they are eligible to join the NHS Pension Scheme.

An Officer pension record must be created in respect of every NHS Pension Scheme member. The relevant pension joiner form is called the SS10. An IP is required in law to provide accurate pensions data on the joiner form.

All NHSPS members are Officers. There are no Practitioners.

Although a person may spend more than half their time involved in NHS work (i.e. they meet the 50% or more criteria) they cannot join the NHS Pension Scheme if:

- They are over age 75.
- They are already in receipt of a NHS pension from the 1995 Section unless they retired on ill health and returned to NHS pensionable employment before age 50.
- They are a new employee and absent from work for any reason (i.e. off sick) on the first day they started work for the IP resulting in their access to the NHS Pension Scheme being delayed. Existing employees who are being paid whilst off sick or on maternity leave would be eligible to be a member. An employee who is absent and not being paid would not be eligible.
- They are an employee who has opted and is absent from work for any reason.
- They are already whole time NHS Pension Scheme members elsewhere and there is no scope to superannuate their IP income. (Employees who are part time elsewhere have scope to pension their IP income up to an aggregate of whole time).

Where a person is ineligible to join the NHS Pension Scheme their employer must consider their auto enrolment liabilities.

The 'more than 50%' criteria

To qualify for NHS Pension Scheme membership an IP employee must spend **more than 50%** of their actual working pensionable hours solely employed on Standard/APMS/local authority NHS contract work over the Scheme Year, i.e. from the 1 April until the 31 March.

Hours worked in excess of the whole time working week are overtime in NHS pension terms and are therefore not pensionable. They must therefore be excluded when determining the more than 50% criteria. However any additional hours worked by a part timer up to the whole time working week are pensionable and do count towards the more than 50% criteria.

If an employee's working pattern changes and they no longer spend more than 50% of their time on Standard/APMS contract work they are no longer eligible for NHS Pension Scheme membership unless their contract of employment is split. Their NHS Pension Scheme membership must cease immediately. There is no 'grace' period.

If the IP has elected for closed (restricted) access the employee would also have had to been working in the NHS, and entitled to join the NHS Pension Scheme, within 12 months of the IP **first** becoming an Employing Authority, or entitled to be a member of the NHS Pension Scheme at any time in the 12 months before they first started working for the IP.

Even if they meet the more than 50% criteria, not every IP employee may be eligible to join the Scheme. For example, they cannot join the NHS Pension Scheme if already in whole time NHS pensionable employment, if they are in receipt of (1995 Section) pension benefits, or if they are over 75. Where an employee, for whatever reason, cannot join NHS Pension Scheme the IP must consider alternative pension arrangements.

The following examples may help in establishing who is entitled to join the NHS Pension Scheme using year 2014/15 as a reference year. The IP in these examples has full open access.

Mr Brown

From 01/04/14 to 31/03/15 Mr Brown was in whole time employment; the standard working week was 38 hours. By virtue that he worked, on average, more than 19 hours a week during the 2014/15 pension year on NHS work meant that he qualified for NHS Pension Scheme membership.

Mrs Pink

From 01/04/14 to 31/03/15 Mrs Pink was in whole time employment; the standard working week being 38 hours. By virtue that she worked, on average, 18 hours 30 minutes a week during the 2014/15 pension year on NHS work meant that she was **not entitled** to join NHS Pension Scheme. Her employer had to consider alternative pension arrangements.

Mr Grey

From 01/04/14 to 31/03/15 Mr Grey was part time employment working 20 hours out of a potential 38. By virtue that he worked, on average, 11 hours a week (more than 50% of his actual hours) during the 2014/15 pension year resulted in him joining the NHS Pension Scheme.

Mrs Green

From 01/04/14 to 31/03/15 Mrs Green was in part time employment working 16 hours out of a potential 38. By virtue that she worked, on average, 6 hours a week (i.e. less than 50%) during the 2014/15 pension year meant that she did not qualify and her employer had to consider alternative pension arrangements.

Miss Black

Miss Black was a whole time employee from 01/04/2014 up until 30/09/2014 but went part time (18/38) from 01/10/2014 until 31/03/15. For the first six months of the year she spent more than 19 hours a week on average on NHS work. For the remainder of the year she worked 10 hours out of her 18 on NHS work. She qualified throughout for NHS Pension Scheme membership.

Mr White

Mr White was initially a part time employee (24/38) but went whole time from 01/10/2014 until 31/03/15. For the first six months of the year he spent 13 hours a week on average on NHS work. However for the remainder of the year he continued to work just 13 hours a week on NHS Standard/APMS contracts. Therefore he had to leave the NHS Pension Scheme on 30/09/2014. From 01/10/2014 his employer had to consider alternative pension arrangements.

(Mr White could have remained in the NHS Pension Scheme from 01/10/2014 if his employer had given him split contracts of employment; i.e. an NHS contract for 13 hours a week and a separate non-NHS contract for 25 hours a week. By virtue that 100% of the 13 hours contract was spent performing NHS Standard/APMS contract work meant that Mr White would have satisfied the more than 50 % criteria).

Miss Scarlett

Miss Scarlett was in whole time employment however only worked from 01/04/2014 to 30/09/2014. By virtue that she worked, on average, more than 19 hours a week during the six month period on NHS work meant that her employer put Miss Scarlett into the NHS Pension Scheme.

At the end of every pension year an IP must complete a certificate listing, amongst other things, details of every employee who they have admitted to the NHS Pension Scheme and also summarising those who met the more than 50% criteria but did not join the NHS Pension Scheme.

Record keeping

Because an individual's NHS pension is based on their reckonable (scaled) NHS Pension Scheme membership and pensionable pay an IP must provide accurate pension data to NHS Pensions on an annual basis and whenever a pension event occurs.

The IP must provide information in respect of all contributions, actual and whole time equivalent pensionable pay, hours or sessions worked for part time contracts, paid and unpaid absences, joining and leaving dates, and reasons for leaving.

As well as completing an annual (global) certificate (see chapter 12) an IP must, in law, provide accurate pension data in respect of every member to NHS Pensions within two calendar months of the end of each pension year, i.e. by 31 May. This is referred to as the annual SD55 update.

The SD55 update must include the following information:

- An annual exit code of '05' if the person remains employed.
- A record of part time hours/sessions if the member is on a PT contract.
- A record of any changes during the period, i.e. PT to WT or vice versa.
- A record of main (and any additional) Scheme contributions.
- Pensionable pay.

The SD55 must be completed and sent to NHS Pensions within two months of year end, i.e. no later than 31 May.

There are variations to the SD55 update as follows:

- SD55T - to be used when the member retires, leaves employment, or opts out.
- SD55G - to be used for updating personal details; i.e. a change of address.
- SD55E - to be used for amending data already submitted on a SD55.
- AW171- to be used when pensionable pay, hours, or contributions have changed **after** pension benefits have been awarded.

More detailed information can be found at 'Quick Start Guide' in the Technical Guidance section of NHS Pensions website.

<http://www.nhsbsa.nhs.uk/Pensions/4093.aspx>

More information about POL (Pensions On Line) can be found at

<http://www.nhsbsa.nhs.uk/PensionsOnline.aspx>

Any general questions or queries should be sent by email to:

nhsbsa.pensionemployers@nhs.net

Part time contracts

A person who works in a part time capacity for an IP and has other part time NHS pensionable posts will have multiple (part time) Officer pensionable posts held on their centralised pension record held at NHS Pensions.

Although a person could actually work, say for example, 60 hours week in total if they wanted to their aggregated pensionable hours **must not** exceed whole time (i.e. 37.5 or 39 hours) for NHS pension purposes. There is more detailed information on the NHS Pensions website.

If an employee has two or more pensionable posts that together exceed the whole time pensionable hours limit any (aggregated) hours/sessions in excess of whole time are not pensionable. Where there are two or more pensionable posts follow these rules:

- Whole time posts take priority
- Then higher paid part time posts or hours take priority
- Then identical posts that are simpler to administrate take priority.

It is advisable to ask a part time employee if they have other NHS pensionable posts.

Where a NHS Pension Scheme member is part time their tiered employee contribution rate is based on their whole time equivalent pensionable pay in that specific job; not their actual pensionable pay in that job. Refer to page 17.

Caution must be applied when an IP employs staff on an irregular hours basis as there is a possibility they be put in the NHS Pension Scheme on the first day of employment however it later transpires they do not satisfy the more than 50% criteria.

Different sections of the NHS Pension Scheme

There are two sections of the NHS Pension Scheme; the 1995 Section and the 2008 Section. Anyone who joined the Scheme for the first time from April 2008 is a member of

the 2008 Section. From April 2015 if an IP employs a person with no previous NHS Pension Scheme membership, that person will be a member of the new 2015 Scheme. Therefore in April 2015 an IP could have employees with different NHS Pension Scheme rights as follows.

1. Mr Brown is, and will always be, a member of the 1995 Section.
2. Mrs Pink is, and will always be, a member of the 2008 Section.
3. Mr Grey is a member of the 2015 Scheme.
4. Mrs Green is a member of the 1995 and 2008 Sections of the Scheme.
5. Miss Black is a member of the 1995 Section and the 2015 Scheme.
6. Mr White is a member of the 2008 Section and the 2015 Scheme.
7. Mrs Scarlett is a member of the 1995 and 2008 Section, and the 2015 Scheme.

Opting out of the NHS Pension Scheme and Auto Enrolment

An IP, from their relevant staging date, must arrange for **all** their salaried employees to be auto-enrolled into a qualifying pension scheme.

Therefore any employees who are not in the NHS Pension Scheme must be auto enrolled in another pension scheme.

Where an IP employee meets the more than 50% criteria however has opted out of the Scheme (by completing the form SD502) the IP must auto enrol them back into the NHS Pension Scheme on the IP's staging date. If the employee wishes to opt out again they must complete another SD502.

There is more detailed advice at The Pensions Regulator website.

The following links provide more information about staging dates and opting out:

<http://www.thepensionsregulator.gov.uk/employers/tools/staging-date.aspx>.

<http://www.thepensionsregulator.gov.uk/index.aspx>

<http://www.thepensionsregulator.gov.uk/employers/automatic-enrolment-detailed-guidance.aspx>.

<http://www.nhsemployers.org/PayAndContracts/NHSPensionSchemeReview/Automatic%20enrolment%20in%20the%20NHS/Pages/AutomaticEnrolment.aspx>.

<http://www.nhsbsa.nhs.uk/pensions>

Anyone opting out of the Scheme should seek independent expert advice before doing so.

A person who has opted out may rejoin at anytime assuming they still meet the more than 50% criteria.

An IP must never persuade or cajole anyone to opt out of the NHS Pension Scheme.

Chapter 8: NHS pensionable pay

There is a difference between pay and **pensionable** pay. Pay may include overtime, (in excess of whole time hours) one off bonuses, and expenses.

However NHS **pensionable** pay, which is used to calculate pension benefits and is what contributions are based and paid on, may be less than actual (taxable) pay. This is because pensionable pay is the basic salary **excluding** overtime (in excess of whole time hours), one off bonuses, and expenses. Pensionable pay should however include regular payments such as unsocial hours allowance and London weighting.

There is no minimum number of hours that can be pensionable in the NHS Pension Scheme. The maximum numbers of hours that can be pensionable are the normal (standard) whole time hours for the relevant job.

Overtime, in NHS pension terms, is hours worked in excess of the whole time standard working week. Therefore a part timer's pensionable pay must include any additional hours worked up to the whole time working week. Thereafter it is not superannuable. For example, if the standard working week is 38 hours a part timer normally working 20 hours a week must superannuate up to 18 additional hours per week worked.

NHS pensionable pay excludes overtime above the whole time working week, bonuses, and expenses.

Where an IP employee is a member of the NHS Pension Scheme but they do not spend 100% of their time on NHS work, it means that some of their NHS pensionable pay will, in effect, include non NHS income. This is fine so long as they spend more than 50% of their time on NHS work.

Where a scheme member is part time the IP will be required to provide NHS Pensions with the whole time equivalent pay rate. This is because, at retirement, a part timer's NHS pension benefits are based on their reckonable (whole time equivalent) NHS Pension Scheme membership and whole time equivalent rate of pensionable pay.

Where a part timer may work extra hours on top of their basic however does not exceed the whole time working week but those extra hours are paid at a premium rate, the whole time equivalent rate of pay must be reviewed (i.e. uplifted) to take account of both the standard and premium hourly rates.

Where there are significant increases in the pensionable pay of a member of the 1995 Section of the Scheme and this has a bearing on their pension at retirement the employer must pay a surcharge. Exceptionally NHS Pensions may impose a pensionable pay figure upon which pension benefits are based.

Where a scheme member has more than one part time pensionable post at retirement a composite/aggregate whole time equivalent pensionable pay figure is used for benefit purposes.

Because the tiered contribution rates are broadly based on the previous year's whole time equivalent pensionable pay an IP must keep a record of historical pay.

Where an employee receives an excessive pay rise that affects their pension benefits the IP will be subject to a statutory surcharge; i.e. levy.

Chapter 9: The 75% pensionable pay ceiling

The ceiling

There is a maximum amount of **total** NHS pensionable income that can be declared by an IP in a specific pension year. This is known as the pensionable pay ceiling or threshold. An

IP must estimate its pensionable pay bill prior to the start of the pension year. This ceiling is unique to IPs.

The pensionable pay ceiling is 75% of the total of the contract value(s).

For example if an IP held NHS Standard/APMS contracts to the total value of £1,000,000.00 in pension year 2014/15 the pensionable pay ceiling would be £750,000.00. This figure excludes employer contributions.

The pensionable pay threshold must include the pensionable income of all NHS Pension Scheme members **and** also the (hypothetical pensionable) pay of those IP employees who met the more than 50% criteria but who are not scheme members. Where an IP offers only closed (i.e. restricted) NHS Pension Scheme access the number of pensionable and non pensionable staff captured within the ceiling will be less than compared to an IP that offers open NHS Pension Scheme access.

The pensionable pay ceiling/threshold must include the pay of 'the more than 50% staff' who are not NHS Pension Scheme members.

The 75% threshold is a ceiling; it does not mean that 75% must actually be achieved. If the total pensionable pay bill does not reach the 75% limit an IP cannot put other non eligible staff in the NHS Pension Scheme until the threshold/ceiling is achieved.

Exceeding the ceiling

If the 75% ceiling is exceeded the IP must, in law, pay a surcharge. The surcharge is 12% of the pensionable pay in excess of the threshold. For example:

Total contract value(s) in 2014/15 = £1,000,000.00

Pensionable pay threshold is £750,000.00 (£1,000,000.00 x 75%)

Actual declared pensionable pay is £800,000.00

Excess is £50,000.00 (£800,000.00 less £750,000.00)

Surcharge/levy is £6,000.00 (£50,000.00 x 12%)

The surcharge (or levy) must be paid within one calendar month of the invoice from NHS Pensions. If it is not paid on time the IP shall be subject to a statutory interest and administration charge.

If an IP continues to exceed the 75% threshold it may result in ceasing to be a NHSPS Employing Authority even if it has paid the surcharges. An IP that ceases to be an Employing Authority must provide alternative 'in house' pension arrangements.

The NHS pensionable pay of the employees or their pensions won't be affected (i.e. cut back) if the IP exceeds the threshold.

Chapter 10: NHS Pension Scheme contributions

Employer contributions

Employer contributions are 14.3% (from 1 April 2015) of the employee's actual pensionable pay. They must be paid to NHS Pensions not later than the 19th day of the month after the month in which the relevant earnings were paid. NHS Pensions prefers payment by direct debit.

Employee contributions

Employee contributions are tiered depending on the whole time equivalent pensionable pay. The higher the whole time equivalent pensionable pay, the higher the rate.

Contributions paid are based on the actual pay and must also be paid to NHS Pensions not later than the 19th day of the month after the month in which the relevant earnings were paid. NHS Pensions prefers payment by direct debit.

The rate is usually based on the previous year's whole time equivalent (WTE) pensionable pay unless the person has changed NHS jobs, is a new starter, or has been promoted.

Taking into account that an IP will in effect employ new starters from April 2014 onwards the IP tiered contributions rates for 2014/15 are as follows.

Tier	Whole time equivalent pensionable pay in 2014/15	Employee contribution rate in 2014/15
1	Up to £15,431.99	5.0%
2	£15,432.00 to £21, 477.99	5.6%
3	£21,478.00 to £26,823.99	7.1%
4	£26,824.00 to £49,472.99	9.3%
5	£49,473.00 to £70,630.99	12.5%
6	£70,631.00 to £111,376.99	13.5%
7	£111,377.00 and over	14.5%

Tiered rates may be subject to change in year or annually

Where an employee starts work after 1 April 2014 their tiered rate is based on their annualised whole time equivalent pay. For example, a whole time employee starting on 01/10/2014 and paid £15,000 from 01/10/2014 to 31/03/2015 (i.e. six months) is subject to the 9.3% (band 4) rate because their annual rate of pay is £30,000.

Where a person is part time their tiered rate is always based on their whole time rate of pay. For example a part timer who actually earns £10,000 in 2014/15 but whose WTE rate of pay is £25,000 will be on tier 3 (7.1%) in 2014/15.

Where a person has several part time pensionable contracts their tiered rate is ring fenced (unique) to each contract; i.e. each job has its own rate even with the same employer.

Overtime in excess of whole time hours (i.e. 37.5, 39, or 40 hours) is not pensionable and therefore does not fall under tiered contributions. Any income earned by a part time employee in respect of additional hours up to whole time is pensionable.

Member contribution rates before tax relief (gross) from 1 April 2015

The table below sets out the member contribution rates from **1 April 2015** until **31 March 2019**:

Tier	Full time pensionable pay/earnings used to determine contribution rate	Contribution rate 1 April 2015 to 31 March 2019
1	Up to £15,431.99	5.0%
2	£15,432.00 to £21,477.99	5.6%
3	£21,478.00 to £26,823.99	7.1%
4	£26,824.00 to £47,845.99	9.3%
5	£47,846.00 to £70,630.99	12.5%
6	£70,631.00 to £111,376.99	13.5%
7	£111,377.00 and over	14.5%

The rates and bandings will be revised at the next scheme valuation. There are no plans of carrying out any mid year changes to account for any pay increases as the consequential movement of members across tiers has been factored into the rates shown. However, the Scheme years will continue to operate independently, as they do now. As such, should a mid year change be necessary, which is not planned, this would have retrospective effect from the start of that Scheme year.

For more detailed information please visit the NHS Pensions website using the following link:

<http://www.nhsbsa.nhs.uk/Pensions/4134.aspx>

Additional Pension contributions

The Additional Pension was introduced in April 2008 to replace the full cost Added Years arrangement which is now closed to new applications. A person may elect to buy Additional Pension to increase their annual NHS Pension in units of £250 up to a maximum career increase of £5,000.

The Additional Pension can either be purchased in instalments or by a one off payment. The employer is legally responsible for collecting the contributions and sending them to NHS Pensions at the same time as employee and employer contributions.

Additional Pension contributions attract tax relief within limits set by HM Revenue and Customs.

There is more detailed information on NHS Pensions website in the 'Technical Guidance' section for employers.

<http://www.nhsbsa.nhs.uk/Pensions/4096.aspx>

<http://www.nhsbsa.nhs.uk/Pensions/4191.aspx>

Added Years contributions

Prior to the Additional Pension being introduced in 2008 a NHS Pension Scheme member could increase their NHS pension benefits at retirement by buying Added Years. Under this method the employee normally pays an additional contribution every month, which is set as a fixed percentage of their pensionable pay. The extra contribution is in addition to their basic tiered employee contributions.

Although it is no longer possible to make a new application to buy full cost Added Years any existing contracts remain active until they are completed, which is either at age 55, 60, or 65. Therefore an IP who takes on a member of staff, who is currently buying Added Years, must collect the additional contributions and forward them to NHS Pensions within the 19 day deadline.

Caution must be applied where the employees Added Years contributions are capped because they were previously subject to the HMRC earnings cap.

Added Years contributions attract tax relief.

There is more detailed information on the NHS Pensions website in the 'Technical Guidance' section for employers.

NHS Pension Scheme Money Purchase AVCs (Additional Voluntary Contributions)

The NHS Money Purchase AVC (MPAVC) Scheme is an arrangement for making additional contributions to build up a separate pension fund.

The additional contributions are invested and then used to buy an extra pension which is normally paid at the same time as the main NHS Pension.

Unlike Additional Pension and Added Years, contributions paid into the MPAVC will not increase the actual NHS pension at retirement; it is a separate pension in effect.

A person must be an active member of the Scheme to be eligible to contribute to the MPAVC arrangement.

There is no set cost so individuals choose how much they would like to contribute and can usually change or stop their payments. Lump sum contributions can also be made at any time.

The NHS MPAVC arrangements form part of the NHS Pension Scheme but run by chosen providers. The current chosen providers are Standard Life and Prudential.

Contributions are taken from pay and must be sent by the IP direct to the chosen provider. Any delay in paying the contributions could result in a loss of investment for which the IP could be held responsible.

Equitable Life is also a chosen provider. Although closed to new business employees who have previously contributed to the NHS MPAVC with Equitable can continue or restart making payments to them.

HM Revenue and Customs (HMRC) allow tax relief on pension contributions up to 100% of relevant UK earnings for the tax year.

There is more detailed information on NHS Pensions website in the 'Technical Guidance' section for employers.

Failure to pay any contributions over on time will result in the IP being subject to a statutory interest, administration charges, and being referred to regulatory bodies.

Chapter 11: The application/update form

Prior to becoming an Employing Authority an IP must complete an (excel) application/update form which can be downloaded from the IP section of the NHS Pensions website. Click onto 'Employer Hub' and then click onto 'Access to the NHS Pension Scheme'.

<http://www.nhsbsa.nhs.uk/Pensions/4328.aspx>

Send the form to (and supporting documents) to NHS Pensions using the following email account:

nhsbsa.directionapplication@nhs.net

This email address must not be used for routine pension enquiries.

If an IP wants to password protect this document it must provide a contact name and telephone number in the covering email and NHS Pensions shall make contact.

An application from an IP to become an Employing Authority cannot be retrospective.

An IP must use the NHS Pensions' approved (excel) application/update form. It cannot use its own version.

The earliest date that an IP can become a NHS Pension Scheme Employing Authority is the date that the very first correct application/update form is received at NHS Pensions. An IP cannot become an Employing Authority before 1 April 2014 but can apply in advance to become one.

A revised application/update form must be completed whenever a Standard/APMS/local authority NHS contract starts or ends. This must be submitted within fourteen days of any change. Therefore an IP could potentially submit several forms during the year.

An IP must list all the existing and new Standard/APMS/local authority NHS contracts on the form on every occasion it is sent to NHS Pensions.

With the exception of listing all of the Standard/APMS/local authority contracts much of the information contained on the application/update form will be estimated by virtue that an IP may not know how many staff it will employ or the actual value of the contracts.

The application form requires an IP to declare the total estimated contract value. However in the event that there are already staff who have access to the NHSPS under a closed Direction and those staff are working under a NHS Standard or APMS contract the contract value must be reduced to take account of the closed Direction staff.

Chapter 12: The Annual (End of Year) Certificate and Pension returns

Every IP that is a NHS Pension Scheme Employing Authority is legally required to complete the annual end of year Certificate within two months of year end; i.e. by 31 May. The (excel) Certificate must be sent to:

nhsbsa.pensionsfinancedirections@nhs.net

This email address must not be used for routine pension enquiries.

If an IP ceases to qualify as an Employing Authority during the year it is legally required to complete the Annual End of Year Certificate within two months of the Employing Authority cessation date.

The information that must be provided on the annual Certificate is summarised as follows.

- A full list of all the NHS contracts throughout the year
- The gross monetary value per contract and the grand total in the year
- Confirmation whether the IP has closed (restricted) or open NHS Pension Scheme access
- A detailed list of all NHS Pension Scheme members, their pensionable pay, contributions, and confirmation that they met the more than 50% criteria
- The total number and total pay of all the employees who met the more than 50% criteria but were not members of the NHS Pension Scheme (for whatever reason) during the year; this information is required because their pay also forms part of the 75% ceiling
- The total pay that must be accounted for in respect of the pensionable pay ceiling; also to be expressed as a percentage of the total, contract value(s).

Where NHS Pensions request additional information or clarification this must be provided within fourteen days of the request.

An IP is also required to submit accurate and individual annual pension records in respect of **every** NHS Pension Scheme member within two months of pension year end. If an IP has access to Pensions Online, guidance in respect of completing individual pension returns (i.e. joiner forms, annual update forms, and leaver forms) can be found on the NHS Pensions website at:

<http://www.nhsbsa.nhs.uk/PensionsOnline.aspx>

If an IP does not have access to Pension Online it is possible to provide the information in electronic format. More information can be found on the NHS Pensions website at:

<http://www.nhsbsa.nhs.uk/Pensions/4079.aspx>

Individual annual pension returns (sometimes referred to as 'SD55s') must not be sent to 'nhsbsa.directionapplication@nhs.net'.

Chapter 13: Contribution Guarantees

NHS Pensions **may** require an IP to provide a Contribution Guarantee.

The Contribution Guarantee must guarantee a payment of a sum of money equal to between 100% and 110% of 3/12ths of a reasonable estimate of the IP's total annual contributions liability. This contribution liability includes all NHS Pension Scheme contributions: employer, employee, Added Years, and Additional Pension contributions.

Whilst an IP must proactively calculate the guaranteed sum if there is any question as to the amount NHS Pensions shall determine it.

There are three different types of Contribution Guarantee:

1. A letter of credit/bank guarantee
2. A parent company guarantee
3. A security over bank account guarantee.

IPs may choose any of the three different forms of guarantee, subject to proper completion. They may also mix and match guarantee types if they wish. For example a letter of credit/bank guarantee for their initial cover and a security over bank account guarantee any 'top-ups' subsequently required.

The statutory NHS Pension Scheme Regulations state that the format of the guarantee is determined solely by NHS Pensions meaning that an IP cannot come up with their own version. However if the format is clearly 'out of synch' NHS Pensions shall amend it.

If asked to provide a Contribution Guarantee an IP must do so;

- No later than one month prior to the start of each Scheme year
- No later than one month after that date when it was first granted Employing Authority status
- No later than one month prior to when the Contribution Guarantee is set to end; i.e. if it has an eight month lifespan it must be reviewed by the end of the seventh month
- If it becomes a party to a new NHS Standard/APMS contract
- If it believes that its estimated contribution liability has increased, or may increase, by more than 10%
- Where NHS Pensions considers that the sum guaranteed is not enough.

Where there is a change to the sum guaranteed this must be processed with fourteen days. Where the IP has internally reviewed the guaranteed sum and there is no change it must proactively notify NHS Pensions within fourteen days. If an IP fails to comply with the rules regarding the Contribution Guarantee it may be ejected from the NHS Pension Scheme resulting in it having to offer its employees an alternative pension scheme.

Chapter 14: Other Pensions issues/Glossary

Death in service

If an employee dies in service, and is a member of the NHS Pension Scheme, the bereavement team at NHS Pensions must be contacted straight away. This is so that life assurance benefits can be awarded as soon as possible.

The bereavement team's email address is:

nhsbsa.bereavements@nhs.net

Data Protection

IPs can exchange information with NHS Pensions in respect of their employees but must apply caution in releasing confidential information to a third party.

Disputes

If an employee enters into a dispute, or lodges a complaint, in respect of their NHS pension rights this must be handled internally at first. This includes where an employee believes that they meet the more than 50% criteria however the IP has not put them into the NHSPS.

If the employee remains dissatisfied they may refer their complaint to NHS Pensions.

If they still remain unhappy they may refer their complaint to The Pensions Ombudsman who has legal powers over NHS Pensions and IPs (that are Employing Authorities).

Excessive pay rises

Where an employee receives an excessive pay rise (for any reason) that has a bearing upon their NHS pension benefits the IP will be subject to a statutory surcharge; i.e. levy.

The IP must pay this surcharge in a one off payment within one calendar month of being invoiced. Failure to pay the surcharge on time will result in statutory interest and administration charges.

Ill health

If there is a possibility that an employee's contract of employment may be terminated on health grounds, and they are a scheme member, the IP must inform the employee of their rights to apply for the (in service) NHS ill health pension whilst they are still employed.

If an IP terminates a contract of employment on health grounds this does not mean that the person qualifies for the NHS ill health pension. Entitlement to the NHS ill health pension is determined solely by NHS Pensions and its medical advisors.

There is more detailed information available on [NHS Pensions website](#).

Late payment of contributions

If an IP fails to pay over any contributions on time it will be subject to a statutory interest charge.

If NHS Pensions has to write to an IP in respect of late contributions it will be subject to a statutory administration charge.

Maternity and paternity pay

When an employee goes on maternity (or paternity) leave and intends to return to work they can superannuate the whole period of leave.

Their tiered employee contribution **rate** should not change as it is based on their **unreduced** pay based on the previous year. However, they only pay employee contributions based on their actual (**reduced**) pensionable pay. In all cases the 14% employer contributions are based on the actual pensionable pay before any reduction.

If the pay is suspended the employee contributions are based on their pay immediately before pay was suspended. The contributions should be collected during the absence or immediately upon a return to work.

If a person chooses not to pay pension contributions during unpaid maternity/paternity leave, NHSPS membership ceases on the day the person last paid contributions. The employer does not pay contributions.

If a person changes their mind and decides not to return to work or decided to opt out of the NHSPS then the last date of pensionable membership will be the date contributions were last paid.

For more detailed information contact nhsbsa.pensionemployers@nhs.net

Redundancy

If an employee is made redundant they may be entitled to claim their pension early subject to meeting certain criteria; one being that their contract of employment covers redundancy. This may result in a (pension) cost to the employer which must be paid prior to any pension benefit being awarded.

For more detailed information contact nhsbsa.pensionemployers@nhs.net

Refunds of employee contributions

Employees who have less than two years **total** NHS Pension Scheme calendar length membership when they leave NHS employment (or opt out of the Scheme with less than two years **total** NHS Pension Scheme calendar length), may claim a refund of employee contributions.

Only the employee contributions are refunded and they are subject to deductions for tax (at approximately 20%) and National Insurance (to buy the member back into the Second State Pension).

The employer does not receive a refund of employer contributions.

Sick pay

When an employee is on full pay sick leave then NHS Pension Scheme contributions are payable on all the sick pay.

If they go onto reduced or half pay sick their employee contributions are payable on the on the **reduced** amount. However the employers 14.3% contributions are based on the members 'normal' **unreduced** pay.

When the employee goes on to 'no-pay' then no contributions are payable by either the employee or the employer.

If there is a possibility that the employment may be terminated on health grounds the employer must inform the member of their rights to apply for the NHS ill health pension. An employment being terminated on health grounds does not automatically qualify a person to the NHS ill health pension.

Tax

Employees who pay NHS Pension Scheme contributions are entitled to tax relief. Basically this means that they pay income tax on their salary after their NHS Pension Scheme contributions have been deducted.

Employees who are high earners may be subject to the HMRC Annual Allowance or the Lifetime Allowance.

There is more detailed information available on [NHS Pensions website](#).

Transfers in or out of the NHS Pension Scheme

The NHS Pension Scheme can accept transfers from most pension schemes, although there are different types of transfer. A transfer value is treated as a single payment and converted into membership, which reckons for NHS pension benefits.

The NHSPS cannot accept a transfer from a personal pension policy taken out under Section 226 (also referred to in Sections 619-623 of the Income and Corporation Taxes Act 1988).

A member has 12 months from first joining the NHS Pension Scheme to request a transfer, providing they are not 'over age'. NHS Pensions always recommends that the member seek independent financial advice, should they be in any doubt that a transfer is the best option for them.

There is more detailed information available on the NHS Pensions website.

Unauthorised leave

Any period of time where contributions are not paid due to unauthorised absence, such as strike days, must be recorded as disallowed days on the SD55 pension return.

Chapter 15: Frequently Asked Questions (FAQs)

The FAQs cover some, but not all of the questions that may be asked. If a question has not been covered contact:

nhsbsa.pensionemployers@nhs.net

State clearly you are an Independent Provider.

NHS Pension Scheme membership

Q. Are all IP employees who are NHS Pension Scheme members regarded as Officers in NHS pension terms?

A. Yes. This includes GPs and bank staff employed by an IP.

Q. What will happen in April 2015?

A. Subject to Parliamentary approval there will be a new NHSPS where, for some members, pension benefits accrued from April 2015 will be broadly based on career pensionable earnings. There is more detailed information available on [NHS Pensions website](#).

Q. I am currently a member of the NHS Pension Scheme by virtue of being employed by a 'classic' (i.e. healthcare professional led) APMS Contractor however I am seconded to an associated (i.e. parent) company that does not (prior to April 2014) have access to the NHS Pension Scheme. Can I remain in the Scheme?

A. You shall remain in the NHS Pension Scheme if the organisation where you are seconded applies to become a NHS Pension Scheme Employing Authority as an IP or New Fair Deal closed Direction body. They have three years in which to become an IP or NFD/closed Direction Employing Authority and transfer you across.

Q. Are IP employees covered by the NHS Injury Benefits Scheme?

A. No

Q. Can freelance self employed GP locums superannuate their IP income?

A. No, they cannot superannuate any IP income including APMS. However a locum can join the Scheme if the IP formally employs them and they meet the more than 50% criteria. They would be regarded as an Officer.

A freelance GP locum who works for a 'classic' APMS surgery can superannuate their income (by using locum pension forms A and B) if they so wish.

Q. Can an IP lose its NHS Pension Scheme Employing Authority status?

A. Yes. If it acts in breach of statutory pension legislation or fails to cooperate with NHS Pensions in respect of administering the NHSPS it may cease to be an Employing Authority. NHS Pensions will (after consulting the Department of Health) give the IP due notice in writing.

Q. Can an IP cease to be an Employing Authority status on a voluntary basis?

A. Yes, however it must give its employees and NHS Pensions six months notice.

Q. Is an IP legally bound to use Pensions On Line (POL)?

A. No, but it is strongly recommended.

Q. Is the Contribution Guarantee mandatory?

A. No, it is at the discretion of NHS Pensions.

Existing Employing Authorities holding NHS Standard/APMS contracts

Q. With the admission of IPs to the NHS Pension Scheme, does this mean that potentially all APMS Contractors now have access?

A. Yes. However there are different pension rules with regards to 'classic' (i.e. healthcare professionals led) APMS Contractors that have had access to the NHSPS since April 2004. More information about these APMS Contractors can be found in the Classic APMS Pension Guide on NHS Pensions website.

Q. What is a New Fair Deal (NFD) Closed Direction?

A. Some organisations that provide a valuable service to the NHS (i.e. hospices, community interest companies, charities, etc) already have access to the NHS Pension Scheme; they are known as a Direction body. In most cases they are a closed Direction body meaning that any staff compulsory transferred in from an existing Employing Authority can remain in the NHS Pension Scheme, however new (non-transferred) staff cannot join the Scheme.

A NFD closed Direction body follows this same principle although allows other organisations the ability to offer the NHS Pension Scheme to employees transferred in from an Employing Authority.

There is more detailed information available about NFD closed Directions on [NHS Pensions website](#).

Q. Does an existing Trust have apply to become an IP Employing Authority if, from April 2014, it enters into a Standard, APMS, or local authority contract?

A. No. A Trust can offer the NHS Pension Scheme to every employee so long as they are eligible under normal rules; i.e. under 75 or not in whole time pensionable employment elsewhere. The Trust is not bound by the IP pension rules outlined in this Guide.

Q. Does an existing (GMS/PMS) GP Practice have to apply to become an IP Employing Authority if it enters into a Standard, APMS, or local authority contract?

A. Where a (GMS/PMS) GP Practice enters into a NHS Standard contract it does not need to apply to become an IP Employing Authority; it can simply offer the NHS Pension Scheme to all salaried staff so long as they are eligible. The GPs must superannuate the standard contract income.

However where a GMS/PMS practice (i.e. partnership, single-hander, or limited company) enters into an APMS contract it must apply to become a 'classic' APMS Employing Authority in accordance with Technical/Employer Newsletter 6/2007 and the Classic APMS Pension Guide.

Where a GMS/PMS practice enters into a local authority contract it should contact:

nhsbsa.practitioners@nhs.net

Q. Does an existing APMS classic contractor, that is already a NHS Pension Scheme Employing Authority, have to apply to become an IP Employing Authority if it enters into a NHS Standard contract or further APMS contracts?

A. Where an existing ('classic') APMS contractor/Employing Authority enters into a NHS Standard contract it does not need to apply to become an IP Employing Authority; it can simply offer the NHS Pension Scheme to all salaried staff so long as they are eligible and the pre existing APMS contract remains intact. The GPs must superannuate Standard contract income.

Where an existing ('classic') APMS contractor/Employing Authority enters into a new APMS contract it must apply to become another ('classic') APMS Employing Authority in accordance with [Technical Employer Newsletter 6/2007](#) and the Classic APMS Pension Guide.

Q. Does an existing Out Of Hours Provider Employing Authority have to apply to become an IP Employing Authority if it enters into a Standard, APMS, or local authority contract?

A. No. An OOHP Employing Authority can offer the NHS Pension Scheme to every salaried employee so long as they are eligible. The OOHP is not bound by the IP pension rules outlined in this Guide.

Any GPs engaged by the OOHP under a contract for services (i.e. self employed) must superannuate all their income.

Q. Does an existing closed Direction body have to apply to become an IP Employing Authority if it enters into a Standard, APMS, or local authority contract?

A. Yes. This is because access to the NHS Pension Scheme as a closed Direction body is restricted to those employees listed on the Direction order. Once established as also an IP Employing Authority it would result in the organisation being both a closed Direction and an IP Employing Authority in NHS pension terms; each with its own unique rules and EA code.

Q. Does an existing New Fair Deal (NFD) closed Direction body have to apply to become an IP Employing Authority if it enters into a Standard, APMS, or local authority contract?

A. Yes. This is because access to the NHS Pension Scheme is restricted to those employees listed on the NFD Direction order. By applying to be an IP Employing Authority would result in the organisation being both a NFD closed Direction and an IP Employing Authority, each with its own unique rules and EA code.

Q. Why is the contract value reduced if an organisation is an existing NFD closed Direction or normal closed Direction body?

A. The contract value must be reviewed if there are staff who are already in the NHS Pension Scheme (through the closed Direction route) and they are working on a NHS Standard or APMS contract. Otherwise the contract value and the pensionable earnings ceiling would be overstated.