

The new GMS contract explained

Focus on.... Superannuation Contributions

GPC

General Practitioners
Committee

This guidance note has been produced by the General Practitioners Committee and the BMA's Pensions Department to help GPs and Local Medical Committees in understanding the new arrangements for the funding, collection and payment of employer and employee superannuation contributions. It is one of a series of guidance notes on the new contract.

The guidance applies to all four UK countries. Where there are differences in approach or detail, this is indicated in the text of the guidance.

Superannuation contributions

It is essential that everyone understands this very complex area of policy and the changes that have taken place with the introduction of the new General Medical Services contract.

The main text of the guidance note provides an explanation of these changes, while the questions and answers that follow provide more detailed information.

Pension contributions - background

Following five-yearly valuations, the Government Actuaries Department sets the total cost of pension provision in the NHS.

It is currently 20% of pensionable pay. Historically:

- 6% has been paid by employees
- 7% (5.5% in Scotland) has been paid by employers
- 7% (8.5% in Scotland) has been paid by HM Treasury.

On 1 April 2003 Treasury transferred the funds and responsibility for its 7% (8.5% in Scotland) to the Departments of Health.

From 1 April 2004 the Departments of Health in England, Wales and Scotland transferred this responsibility directly to NHS employers with appropriate funding. This is known as the indexation transfer. This has not yet occurred in Northern Ireland but is expected to in the future, possibly from 1 April 2005.

The total responsibility and funding for pension costs now rests with the independent contractor in England, Wales and Scotland. For every pound of pensionable pay a practice will therefore pay 20 pence in pension costs: 6p from the employee and 14p from the employer. In Northern Ireland the figures are 6p for the employee, 7p for the employer and the Treasury currently pay the balance.

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Funding for employer and employee contributions

The global sum includes provision for employee and employer contributions for partners and employed staff, including salaried GPs.

Early calculations of the cost per weighted patient did not include the amounts previously paid by the Treasury but this has been corrected and the amount per weighted patient has been adjusted from £50 to £54 (£52 to £56 in Scotland.) This is described in paragraph 2.3 of the Statement of Financial Entitlements.

Global Sum Equivalentents have also been adjusted to reflect this change and so practices' correction factors should be unaffected.

All practices will therefore receive more money to fund the increase in superannuation contributions.

Funding for new income

The gross funding available for the new income that practices will receive under the new GMS contract will also contain provision for employer contributions. The amount of this funding and how it will be distributed to practices (whether just through the global sum, or also via other funding streams including quality payments or enhanced services) is still being determined in discussions between the Departments of Health, the NHS Confederation and the GPC.

Funding a practice-based contract

Most funding for practices under the new GMS contract is through the Global Sum (or MPIG) and the Quality and Outcomes Framework.

Practices are free to use the funding received under the new contract to configure their services in the way that best meets the needs of their patients and the practice. There is not a direct relationship between a practice's funding and its expenditure and net profits. Therefore, a practice's funding through the global sum for employer superannuation contributions is not likely, in most cases, to bear a direct relationship to the superannuation contributions that it pays.

If a practice makes greater profits or pays higher staff salaries, it will have greater employer and employee contributions to pay and these will have to be met from practice funds as they will not be reimbursed directly from PCOs. It is therefore for the partners in each practice to make their own long- and short-term business decisions based on anticipated profits and expenses, including pension contributions.

Mechanism for paying employer superannuation contributions

PCOs will deduct the contributions from practices' global sums on a monthly basis and will be responsible for paying that money to the Pensions Agency on demand. The amount to be deducted should be negotiated and agreed between the PCO and the practice. In Scotland, 15% of the global sum is being deducted as an interim measure. An adjustment can be calculated once practices' profits are known.

Most PCOs are basing the calculation of monthly contributions on previous levels of contributions. This is in line with guidance from the NHS Pensions Agency. The calculation needs to take account of the increase in contributions from the indexation transfer and the new income. Some practices, factoring in the impact of the increase on both cash flow and anticipated profits, have agreed with the PCO to deduct more than this so that they will be required to make a smaller adjustment when the final, end-of-year, superannuable profits are known.

Questions and Answers

Question

How has the Global Sum Equivalent been adjusted to include the 7% of employer superannuation previously paid by the Treasury?

Answer

The GSE has been adjusted to include the 7% of employer superannuation contributions previously paid by the Treasury in respect of both practitioners and practice staff.

For practitioners' contributions, the increase to the GSE has taken the form of doubling the existing 7% contribution element (see paragraph D.3(xxi) of the SFE).

For practice staff, the amount contained in the GSE is not separately identifiable so it is not possible simply to double the existing 7% contribution. Instead, £1.46 per weighted patient is added to the GSE to take account of the projected price increase (see paragraph 3.3(c) of the SFE).

Question

Will PMS practices receive funding for the indexation transfer?

Answer

We believe PCOs have received funding for the indexation transfer for PMS practices. It will be up to local negotiation to determine how this funding is distributed to practices although we are pressing the departments to provide clear guidance to PCOs and practices.

Question

I have just taken on some new staff; will my Global Sum be increased?

Answer

Your Global Sum will not change in relation to your staff numbers as it is determined by the number and weighting of the practice's patient list multiplied by the price per patient as detailed in the Statement of Financial Entitlements. There is no longer a direct reimbursement system or staff budget arrangement with PCOs.

Question

My practice manager has decided to join the NHS Pension Scheme from 1 June 2004. Will my funding increase to cover my employer contributions?

Answer

Your funding does not alter if a staff member enters or leaves the pension scheme as there is no direct relationship between actual superannuation costs for a practice and its funding.

Question

Our practice is likely to perform really well this year and make more profit than in previous years. Will we be able to recover the additional employer pension contributions that we will have to pay from the PCO?

Answer

Your practice will be responsible for paying the employer contributions out of the profit you make. Higher superannuation costs borne by a practice, whether because of employing more staff or making greater profits, are the responsibility of the practice from the total funding received by the practice through the contract.

Question

My practice is in Northern Ireland and is getting a GSE calculated from the baseline year. During this time the employer contribution rate changed from 5% to 7% but this has not been adjusted in my funding and now I have to pay all my employers superannuation at 7%. Will I receive more funding to compensate me for this?

Answer

There is currently no mechanism for GSE practices in Northern Ireland to have their funding increased to reflect this anomaly. Negotiators are in discussion with the Health Departments to try to resolve this issue.

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