

**Title:** Annualised pension contributions – background briefing

**To:** GPC UK – 14 September 2017

**Purpose:** To provide GPC UK with a background briefing on the implications of determining pension contribution tier based on annualised income

**Authors:** Jackey Brodie, BMA pensions department and Krishan Aggarwal, Sessional GPs subcommittee

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### Annualised pension contributions

Since 1 April 2015, GPs in pensionable employment in the 2015 Career Average Revalued Earnings (CARE) scheme have been required to determine their pension contribution tier based on annualised income (rather than actual income) if they have had breaks in service.

This new system does not apply to any GP who continues in pensionable employment in the 1995 or 2008 sections, irrespective of any breaks in service. Nor does it apply to any GP in the 2015 CARE scheme who works a full scheme year (1 April to 31 March) without breaks in service. For GPs in the 2015 scheme who work without breaks throughout the scheme year, actual earnings are annualised earnings and the contribution tier is based on this.

However, GPs (Types 1 – partners, Types 2 – salaried GPs, and locums) in the 2015 CARE scheme (including those who have moved from the 1995/2008 sections) who have sporadic service will need to be aware of the new rules which determine the contribution tier applicable to them.

The first thing to consider is the length of break which constitutes a break in service. This will depend on the type of work you do:

For a **locum**, a break of more than **3 months** constitutes a break in service. Service will not be considered to be continuous if there are breaks of over 3 months between locum posts.

For **Types 1 and 2 GPs**, a break of more than **1 month** constitutes a break in service. Service will not be considered to be continuous if there are breaks of over 1 month between Type 1 and 2 posts.

For those doctors who work both as Type 1 and 2 practitioners as well as locums, each type of employment is taken in isolation (i.e. Type 1 and 2 practitioner work needs to have no breaks or breaks of less than a month between this type of work for it to be continuous and locum work needs to have no breaks or breaks of less than 3 months between locum posts for it to be continuous).

Working uninterrupted as a GP going from Type 1 or 2 work to locum work and back again will be regarded as interrupted work for the purposes of annualised contributions if there is a break between the Type 1 and 2 type work of more than 1 month or breaks between the locum type work of 3 months or more.

Examples of 2015 scheme members who would be affected by annualising include:

1. A full time GP partner who undertakes locum cover over Easter and Christmas. The locum earnings will need to be annualised and added to the partner income to arrive at the appropriate pension tier.
2. A salaried GP who moves practice and takes a break of more than one month between posts. The total salaried GP earnings will need to be annualised and therefore the tier will be based on annualised earnings rather than actual earnings.
3. A salaried GP who works for 4 months at a practice then chooses to leave and become a locum. This will result in both earnings being annualised to arrive at the new tier on which their pension contributions will be based.
4. A locum GP who is on sick leave/maternity leave for more than 3 months. The locum earnings will need to be annualised to arrive at the new tier on which their pension contributions will be based.\*
5. A partner who decides to leave partnership/retire and become a locum. If the move to locum work is undertaken prior to 1 March then both the partnership and locum earnings will need to be annualised separately.

\*if a salaried GP is on maternity/sick leave the pension record is kept open so annualising will not be necessary as no break in service will have occurred.