

NHS Pensions - Final pay controls and employer charge factsheet

Final pay control is applicable to all Officer and Practice Staff members of the 1995 Section of the NHS Pension Scheme, including 1995/2015 transition members, who retire with entitlement to pension benefits or who elect to transfer out their NHS pension to another scheme. This includes employees of a Trust, Foundation Trust, GMS/PMS/APMS surgery, Independent Provider, Direction body, and non-GP Providers.

Pension benefits awarded in respect of the death of a Scheme member are not subject to final pay controls.

From 1 April 2014, if a member receives an increase to pensionable pay that exceeds the 'allowable amount' the relevant employer is liable for a final pay control charge.

The 'allowable amount' is the amount that pensionable pay can increase by before the employer is liable for a final pay control charge. The 'allowable amount' is the **lesser** of:

- the member's pensionable pay in the relevant year, or
- the member's pensionable pay in the previous year plus 'A' ('A' is the Consumer Price Index % plus 4.5%), or
- the percentage increase in the member's pensionable pay for the current year compared with the previous year.

NHS Pensions will not delay awarding pension benefits where the employer is liable for a charge. After the pension has been awarded NHS Pensions will calculate the charge and invoice the relevant employer. Where there are two or more employers the charge will be made to the one that increased the pensionable pay. If the employer fails to pay, interest and an administration levy will be added to the charge.

Where the member is a non-GP Provider the relevant surgery must pay the charge.

Final pay control charge example

This example is for illustration purposes only and uses hypothetical pay and a hypothetical factor in the final year.

Whole time Officer member aged 60 with 20 years membership and a last day of NHS service of 30 September 2019.

Step 1: Calculate the pensionable pay for each of the last three years and the base year.

Year	WT pensionable pay
01/10/2015 - 30/09/2016 (base year)	£25,000.00
01/10/2016 - 30/09/2017 (Year 3)	£27,000.00
01/10/2017 - 30/09/2018 (Year 2)	£29,000.00
01/10/2018 - 30/09/2019 (Year 1)	£33,000.00

Step 2: Calculate the allowable amount for each of the three years.

Base year pensionable pay = £25,000.00

Year 3

Year 3 pensionable pay = £27,000.00

Base year pensionable pay of £25,000.00 + 4.8% (February 2016 CPI of 0.3% + 4.5%)
= £26,200.00

The allowable amount in Year 3 is **£26,200.00**.

Year 2

Year 2 pensionable pay = £29,000.00

Year 3 allowable amount of £26,200.00 + 6.8% (February 2017 CPI of 2.3% + 4.5%)
= £27,981.60

Year 3 allowable amount of £26,200.00 x £29,000.00 (Year 2 pay) ÷ £27,000.00 (Year 3 pay)
= £28,140.74

The allowable amount in Year 2 is **£27,981.60**.

Year 1

Year 1 pensionable pay = £33,000.00

Year 2 allowable amount of £27,981.60 + 5.5% (hypothetical February 2018 CPI of 1% + 4.5%) = £29,520.59

Year 2 allowable amount of £27,981.60 x £33,000.00 (Year 1 pay) ÷ £29,000.00 (Year 2 pay)
= £31,841.13

The allowable amount in Year 1 is **£29,520.59**.

Year	WT pensionable pay	Allowable amount
01/10/2015 - 30/09/2016 (base year)	£25,000.00
01/10/2016 - 30/09/2017 (Year 3)	£27,000.00	£26,200.00
01/10/2017 - 30/09/2018 (Year 2)	£29,000.00	£27,981.60
01/10/2018 - 30/09/2019 (Year 1)	£33,000.00	£29,520.59

As the best year's pay of £33,000.00 exceeds the allowable amount of £29,520.59 the employer will be charged.

Step 3: Calculate the excess pensionable pay.

The excess pensionable pay is £3,479.41 (£33,000.00 minus £29,520.59).

Step 4: Calculate the actual NHS pension benefits based on £33,000.00.

Annual pension = £8,250.00 (£33,000.00 x 7300 days ÷ 29200)

Lump sum = £24,750.00 (£8,250.00 x 3)

Step 5: Calculate the excess pension based on the excess amount of £3,479.41.

Excess annual pension = £869.85 (£3,479.41 x 7300 days ÷ 29200)

Excess lump sum = £2,609.55 (£869.85 x 3)

Step 6: Calculate the charge payable by the employer.

The charge payable is £20,528.46 calculated as follows:

Excess pension of £869.85 x 20.60 (Scheme Actuaries final pay control factor for a person aged 60) = £17,918.91

Excess lump sum = £2,609.55

(£17,918.91 + £2,609.55 = £20,528.46)