HSC Pension Service

Member factsheet

Managing Pensionable Pay

Determining certain elements of pay as being non-pensionable may help staff to limit the value and rate of their pension growth. Individuals with lower pensionable pay will build up a lower pension and will be less likely to breach the annual and lifetime allowances.

Employers have some flexibility in determining what pay is pensionable, depending on the nature and duration of the payment.

Employees should be aware that non-pensionable payments may still have an impact on their pension tax position. Employees may have a lower, tapered annual allowance if their threshold income exceeds £200,000 and their adjusted income exceeds £240,000. As non-pensionable pay counts towards both threshold income and adjusted income, these payments may reduce the individual's annual allowance limit through the effect of annual allowance tapering. If an employee is subject to the tapered annual allowance, a smaller value of pension growth may cause the employee to breach the annual allowance.

Which payments are pensionable?

All employers must comply with the HSC Pension Scheme Regulations that define pensionable earnings. For staff employed by HSC organisations, pensionable earnings are broadly all salary, wages, fees and other regular payments. Pensionable earnings are defined in regulation 27 of the 2015 Scheme Regulations. See highlighted area below:

1.—(1) The pensionable earnings of a member (M) are defined by the appropriate entry in the Table where—

(a) Column 1 applies an identifying letter to the group to which M belongs;

(b) Column 2 describes M's employment in or engagement with a health service activity; and

(c) Column 3 specifies the nature of the income derived by M from the employment or engagement.

Table

Column 1	*Column 2*	*Column 3*
Group	***Employment/Engagement***	***Income***
A	M is employed by an HSC organisation	Salary, wages, fees and other regular payments made to M in respect of M's employment but not including- (a) bonuses, (b) payments made to cover expenses (c) payments for overtime, or (d) pay awards or increases which are expressed by the Department to be non-consolidated
B	M is employed by a medical contractor, a non-GP provider or a GDS provider	
C	M is employed by a determination employer	
D	M is- (a) a medical practitioner (b) a dental practitioner, or (c) a non-GP provider.	Practitioner income: see Schedule 8

Non-pensionable payments include bonuses, non-regular payments, payments made to cover expenses or overtime and pay awards or increases which are expressed as non-consolidated.

Pension tax matters are very specific to the varying circumstances of each individual and the nature of the payment. We would therefore encourage employers to discuss pensionable pay arrangements with staff individually to reach an appropriate agreement on the way forward.

Temporary payments

Most temporary payments are non-pensionable. Exceptions include temporary pay increases **(acting up allowances) and shift allowances**.

Local payments

Most local payments can be determined as non-pensionable. Payments in national contracts such as RRPs are pensionable.

Overtime

All overtime payments are non-pensionable for full time staff. Overtime (additional hours) for part time staff is pensionable up to the whole-time standard week if paid at the basic hourly rate.

Additional Direct Clinical Care activity (DCCs) (PA’s)

Additional DCC sessions worked by doctors which exceed the standard contractual limit of 10 are non-pensionable. Employers should ensure job planning processes and any supporting documentation clearly sets out that additional DCCs are over and above the standard contract and are subject to regular review.

Allowances for undertaking management responsibilities

Payments will be pensionable if the management responsibility is linked to one of the 10 sessions in a consultant’s job plan or if the responsibility is taken on in addition to the job plan but without any additional time being allocated to this work. Payments also need to be made on a regular and continuing basis to be pensionable. This applies to both part-time and whole-time employees.

Allowances will be non-pensionable if they are linked to a non-pensionable session that exceeds the standard contractual limit of 10 or if they are temporary and subject to review. Employers may wish to bear this in mind when working with individuals to agree their job plan.

If additional management responsibilities increase actual working time above 40 hours per week, this extra time worked will also be non-pensionable.

If part-time staff are required to work additional sessions due to the additional responsibility, these sessions will be pensionable up to whole-time, but anything above this will be non-pensionable.

Waiting list initiative (WLI) payments

Additional paid waiting list activity that is voluntary and in addition to contracted hours is a form of overtime and is pensionable up to whole-time. WLI payments should be non-pensionable if the activity exceeds whole-time or if the payment is made as a one-off bonus.

Weekend and on-call payments

Availability allowance for on-call work is only pensionable if there is a specific rota commitment that an individual is paid on a regular basis. This applies to both part-time and whole-time employees. Payments for work completed above whole-time whilst on call are non-pensionable.