



NASDAL Guidance for dentists with NHS Contracts on what constitutes pensionable pay at the practice and on correctly completing the Annual Reconciliation Report (ARR)

The ARR is a statutory form that the provider (the contract holder) is required to complete on an annual basis returning details of the pensionable earnings of all the dentists working at the Practice. The ARR covers the pension year ending 31 March and has to be submitted to NHS Dental Services (NHSDS) at Eastbourne by 30 June each year.

The ARR is the cornerstone in the process of identifying the pensionable pay of the dentists at the Practice. It is this pensionable pay that will eventually determine the amount of the NHS Pension for each dentist on their retirement. It is therefore essential that the ARR is accurate in apportioning the pensionable pay or deemed pensionable pay available at the Practice amongst ALL dentists working at the Practice.

The ARR for 2012/13 sees three major changes over earlier ARR's.

- Performers at the Practice are required to validate their pensionable pay shown on the ARR.
- Through the dental portal the ARR for 2012/13 can be submitted electronically.
- New and improved guidance is available identifying what constitutes pensionable pay for dentists at the Practice and how to correctly complete the ARR.

Performers – Validation of their Pensionable Earnings

A major failing of earlier ARR's allowed the provider to complete the ARR without reference to the performers and the figures being returned for their pensionable pay. As a consequence the first time that many performers knew what was being returned by the provider was when they received their SD86Cs (the annual certificate showing pensionable pay and superannuation due). The 2012/13 ARR now requires the provider to liaise with performers at the Practice and agree with the performers their pensionable pay. This requirement must be met before the ARR is submitted to NHSDS. If performers disagree with the pensionable pay figures being returned by the provider there is the opportunity for registering this disagreement and the reasons for it.

It is likely that this process will take some time to “bed in”. There is the potential for a number of difficulties to arise.

- Performers who have left the Practice during the year
- Performers or providers who refuse to engage in the process
- Continuing confusion by both providers and performers as to what actually constitutes pensionable pay.

However if these difficulties can be overcome and there is general engagement between providers and performers then the number of disputes arising when SD86Cs are raised will be reduced dramatically.

ARR Submission Electronically

During the last twelve months the dental portal has been developed. The portal gives 24/7 access by both provider and performer as to their individual activities at the Practice.

On 1 April 2013 a new facility will appear on the toolbar enabling the ARR to be completed by the provider, authenticated by the performers and submitted electronically to NHSDS. As this process will streamline the whole operation it is the NHSDS preferred option for ARR submission. Paper ARRs will be available for 2012/13.

New Improved Guidance

Detailed discussions between NASDAL, the BDA, the Pensions Agency and NHSDS occurred during the summer and autumn of 2012. As a result the Pensions Agency has recently updated its pension guide for GDS and PDS dentists. This can be found at

[www.nhsbsa.nhs.uk/Documents/Pensions/GDP_Pensions_Guide_\(V2\)_12.2012.pdf](http://www.nhsbsa.nhs.uk/Documents/Pensions/GDP_Pensions_Guide_(V2)_12.2012.pdf)

These guidance notes now address the major issues for the first time in a clear comprehensive way.

Chapter 3 – Providers – What constitutes their pensionable pay

Chapter 4 – What constitutes pensionable earnings of the performers working at the Practice

Chapter 5 – Tiered employee contributions

Chapter 6 – Limited companies – What constitutes the pensionable earnings of director/shareholders

Chapter 8 – The correct way to complete the Annual Reconciliation Report (ARR)

These new improved guidance notes clearly set out the steps to be undertaken by the provider (the contract holder) to complete the ARR.

1. Identify the pensionable earnings ceiling of the Practice.

This is 43.9% of the core contract value.

2. Identify the performers at the Practice who are not members of the NHSPS.

It may be the case that a dentist working at the Practice is not a member of NHSPS. This would arise when;

- The dentist has taken 24 hour retirement and returned
- The dentist has formally opted out of the NHSPS by completing form SD502

- The dentist operates (i.e. trades) through a DBC/limited company from 07/11/2011
- The dentist operates through a locum agency or is an external subcontractor.

If a dentist, who is not a member of the NHSPS, works at the Practice the Provider is required to;

- Identify the dentist
- Identify the amount of hypothetical (i.e. deemed) pensionable pay earned by that dentist
- Deduct this hypothetical pensionable pay from the Practice pensionable earnings ceiling.

It is illegal for the (hypothetical) pensionable pay applicable to a dentist who is not a member of the NHSPS to be assigned to another.

3. Identify the amount paid to every performer at the Practice for GDS work done in the pension year 1 April to 31 March. This constitutes the pensionable pay of performers at the Practice. Pensionable pay of performers is defined as follows.
 - Performers (Associates) / Locum Performer paid directly by the Practice
 A performer's NHS pensionable income is the net GDS/PDS income **PAID** to that performer for GDS/PDS work undertaken in the year to 31 March.
 - Employed dentist
 The pensionable pay of an employed dentist is their gross basic salary
 - Director/shareholder of a limited company
 The pensionable pay of a qualifying dentist (ie dentist who is a member of the NHS Pension Scheme) who is a shareholder/director is represented by salary and/or dividends paid to that dentist by the limited company in the pension year to 31 March.
4. Deduct the pensionable pay of ALL performers at the Practice from the pensionable earnings ceiling. The resulting balance is the pensionable pay for the year of the provider.
 - If the provider is a sole practitioner this is their pensionable pay.
 - If the provider is a partnership the balance is to be allocated between your partners as the partnership decides.
 - If the provider has incorporated their dental activities then the pensionable pay of directors/shareholders who are dentists will be the amount of salary and/or dividends **PAID** in the year to 31 March, up to the balance remaining of the pensionable earnings ceiling.
5. Complete the ARR including the pensionable pay identified for ALL dentists of the Practice. The provider is required to seek agreement with the performers at the Practice as to the pensionable pay amounts being shown upon the ARR. The ARR must then be submitted by the preferred electronic route or otherwise by paper to the NHSDS by 30 June.

In the past dentists who had incorporated their dental activities found that they had fallen into a black hole as far as pensionable pay and superannuation were concerned. It is very encouraging to see that in the new guidance limited companies now warrant an entire chapter to themselves (Chapter 6). It was hoped that training practices could have warranted a similar treatment. In the event the pensionability of income streams for training practices was relegated to the question and answer section.

The pensionability of training practices income streams can be summarised as follows.

- The training grant forms part of the pensionable income of the nominated trainer at the practice.
- Vocational trainees employed at the practice are afforded type 2 dental practitioner status. This means that the vocational trainee is placed in the same position as far as pension rights are concerned as any other performer. Their salary and costs (which are 100% reimbursed to the practice) are not part of the practice's core contract value and vocational trainee salaries are not to be included on the ARR.
- The most contentious issue for training practices is the Department of Health ruling that service costs are non pensionable. Prior to 1 April 2006 service costs of training practices were pensionable. The Department of Health ruled with the introduction of the new

contract that service costs were not pensionable. The Department of Health failed to communicate their dictat and as a consequence a haphazard approach occurred over the succeeding years. Some training practices had their service costs pensioned, others did not. Some PCTs/LHBs ruled that service costs were pensionable if you were a sole practitioner but not in a partnership or a limited company. Other PCTs/LHBs were enthusiastic about squeezing service costs into the core contract and pensioning them. The current position is that service costs are not pensionable. This issue is being contested by the BDA with the Department of Health in an effort to re-establish the pensionability of service costs for training practices. At the moment though service costs should not be included on the ARR.

It is recommended that new guidance notes are downloaded from the Pension Agency's website as the guidance notes do contain very good examples of what constitutes a performer's pensionable pay looking at various routes by which the pensionable pay arises. Chapter 8 also has an excellent worked example of how to complete the ARR.

The guidance notes makes the very strong point that the ARR has to return the pensionable pay of all dentists working at the practice. In the case of dentists who are not members of the NHSPS then their hypothetical (deemed) pensionable pay has to be determined in exactly the same way as dentists who are members of the NHSPS. It is illegal to allocate this hypothetical pensionable pay of non-members to any other dentist at the practice.

It has been estimated that in the past six years a very high proportion of ARRs have been incorrectly completed. The Pensions Agency has identified at least 3,000 performers whose pensionable earnings have been substantially understated. It is hoped that when the 2012/13 ARRs are completed with the involvement of performers in agreeing their pensionable pay, the streamlined electronic submission of ARRs and the new clarity in this year's guidance notes this will ensure that a substantial majority of this year's ARRs will be correctly completed.