



PEN 17

FACT SHEET

LOCAL GOVERNMENT PENSION SCHEME

ILL-HEALTH RETIREMENT

What happens if I have to retire early due to ill-health?

If you have at least three months total membership or have transferred other pension benefits into the Local Government Pension Scheme (LGPS) and you have to give up work because of illness, you may be able to receive the immediate payment of your benefits. To qualify for ill-health benefits, a medical practitioner appointed by your employer, must be satisfied that you are permanently incapable of doing your job due to ill-health or infirmity of mind or body *and* that you have a reduced likelihood of obtaining gainful employment before reaching age 65. The medical practitioner must be qualified in occupational health medicine and must not have previously been involved in your case.

Gainful employment is defined as paid employment for not less than 30 hours in each week for a period of not less than 12 months.

Ill-health benefits can be paid at any age and are not reduced on account of early payment, and in certain circumstances, enhanced service may be awarded.

How are ill-health benefits calculated?

Pension benefits are based on your membership in the scheme and the pensionable pay you receive in, normally, your final year of service, with no detriment if your pay is reduced due to ill-health. If you are part-time, your scheme membership will count at its part-time length when working out your pension and your final pay is increased to what you would have received had you been full-time.

If ill-health retirement is granted, an immediate pension and, if applicable, tax-free lump sum is payable based on the actual membership, plus, in some circumstances, additional membership, depending on the level of incapacity – see overleaf.

When establishing a member's incapacity to carry out his/her job, the independent occupational medical practitioner appointed by the employer will also need to indicate a member's likelihood of being capable of further employment. This will determine under which of the 3 tiers of ill-health the pension will be paid.

Tier 1

Immediate benefits, payable for life, can be awarded to members, who in addition to being permanently unable to carry out their job, are medically certified as having no reasonable prospect of obtaining 'gainful employment' before age 65. The benefits under Tier 1 are based on the membership the Scheme member has built up to that point, PLUS a period of enhancement equal to the member's potential membership between leaving and age 65 (see Protection in 'Points to Note').

Tier 2

Immediate benefits, payable for life, can be awarded to members who in addition to being permanently unable to carry out their job, are certified as incapable of any alternative 'gainful employment' within three years of leaving, but are likely to be capable before age 65. The benefits under Tier 2 are based on the membership the Scheme member has built up to that point, PLUS a period of enhancement equal to 25% of their potential membership between leaving and age 65 (see Protection in 'Points to Note').

Tier 3

Immediate, time limited, benefits can be paid to a member who is permanently unable to carry out his / her job and are judged to have a reduced likelihood of obtaining gainful employment but are likely to be able to obtain 'gainful employment' within three years of leaving. The benefits under Tier 3 are based ONLY on the membership the Scheme member has built up to that point, WITHOUT ENHANCEMENT.

Members retired under Tier 3 will be required to notify their previous employer when paid employment is found, providing details of pay, working hours and the length of contract of that employment. This allows the employer to assess whether gainful employment has been found. The pension element is only payable for so long as the member is not in gainful employment or, after 18 months, is deemed capable of such. The 3rd tier pension, in any circumstance, may only be paid up to a maximum of three years. The employer may recover any pension payments made in respect of any period during which they consider the member to have been in gainful employment.

The 'former' employer is required to undertake a review when the Tier 3 pension has been in payment for 18 months. This is to determine whether the member would be capable of gainful employment and should have his / her benefits ceased. If as a result of the review, it is found that the condition that originally resulted in the 3rd tier award has worsened and now meets the criteria for Tier 1 or Tier 2 benefits, then enhanced benefits would be paid from the point of that assessment and would be payable for life.

Members who work part-time when granted ill-health retirement

If, in the medical practitioner's opinion, the member is wholly or partly in part-time service as a result of the condition that lead to the ill-health retirement, then that reduction in hours should not be reflected in the member's service or any enhancement.

Procedures

There are a few "DO'S" and "DON'TS" to remember if you feel you may have to retire because of ill-health:

- **Do not resign from your job.**
This is most important as you may be given notice to leave if you are found to be unable to do your job. If you resign, you may have to be treated as a voluntary leaver. This would certainly mean no additional membership and would very probably mean that no benefit is payable to you on leaving but would have to be deferred until the date on which you could have retired if you had continued to work (although you may make application for the early payment of deferred benefits on permanent ill-health grounds).
- **Do consult your own doctor and get his / her opinion.**
- **Do let your manager / supervisor know what the position is.**
Arrangements should be made for you to be examined by your employer's own medical adviser to decide whether you will have to retire because of ill-health. If this does not happen, you should make further enquiries.

What happens if I am unhappy with the employer's decision about my ill-health retirement application?

A member who has left local government employment but was not awarded an ill-health retirement pension or is unhappy with the level of benefit paid, can appeal against this decision by writing to the employing authority that made the decision, setting out the reasons for his / her disagreement with the decision. Any appeal against the decision of the employing authority is required to be made within 6 months of the date of the original decision. A full guide on the 'Internal Disputes Resolution Procedure' may be obtained by contacting the Pensions Office (see contact details below).

Points to Note

- Protection - if the member qualifies for Tier 1 or Tier 2 ill-health benefits, *and* was in active membership before 1st April 2008, *and* was born before 2/4/1963, *and* the period of enhancement granted is less than it would have been under the 1997 Regulations, then the benefits are increased to those payable if the enhancement period due under the 1997 Regulations was granted.

- If your pay is reduced because of sickness, the final pay for the calculation of your pension benefits, is taken to be the pay grade you would have received had you not been sick.
- If, for any reason (other than sickness), your pay grade goes down in the year before retiring, the better of the previous two years' pay may be used as your final pay figure.
- If, on or after 1st April 2008 and within 10 years of leaving, you have restricted pay (whether voluntarily or compulsorily), reduced your grade or moved to a position with less responsibility, you can choose to use the average of any 3 consecutive years pay in the last 10 years ending on a 31st March (pensions increase is applied from the end of the 3 year period before comparison).
- If your pension benefits are subject to a pension sharing order issued by the court following a divorce or annulment of marriage, or the making of an order for the dissolution or nullity of a civil partnership, or are subject to a qualifying agreement in Scotland, your benefits will be reduced in accordance with the court order or agreement.
- Ill-health pensions are increased each year in line with the Retail Prices Index, regardless of age.

Disclaimer

The Regulations concerning the provision of ill-health pensions are very complex and these notes only represent a simplified guide and are not intended to cover every circumstance. Nothing contained within this guide may over-ride the Schemes Regulations.

Contacting the Pensions Office

Telephone helpline: 0115 846 3333

Fax: 0115 846 3300

Email: lgpensions@nottsc.gov.uk

Website: www.nottspf.org.uk

Address: The Pensions Office
Employee Services Centre
Nottinghamshire County Council
County Hall
West Bridgford
Nottingham
NG2 7QP