

LG PEN 17

Ill-Health Retirement

The Nottinghamshire
Local Government Pension Scheme

administered by



**Nottinghamshire
County Council**

for you, for now, for the future
lgps

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

If you have at least two years qualifying service (or otherwise would not be entitled to claim a refund of your pension contributions) 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, an Independent Registered Medical Practitioner (IRMP) appointed by your employer, must be satisfied that you are permanently unable to do your own job due to ill-health or infirmity of mind or body until your Normal Pension Age and that you are not immediately capable of undertaking any gainful employment.

Normal Pension Age is linked to your State Pension Age (with a minimum of age 65) and is the age at which you can take the pension you have built up in full. 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, an enhanced pension may be awarded.

How are ill-health benefits calculated?

If ill-health retirement is granted, an immediate pension and, if applicable, a tax-free lump sum is payable. In some circumstances, benefits may be increased, depending on the level of incapacity.

When establishing a member's incapacity to carry out his/her job, the IRMP 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 incapable of carrying out the duties of their employment, are medically certified as being unlikely to be capable of undertaking gainful employment before their Normal Pension Age. The benefits under Tier 1 are based on the pension already built up in the pension account at the date of leaving plus the pension the member would have built up had they been in the main section of the scheme until Normal Pension Age (see Protection in 'Points to Note').

Tier 2

Immediate benefits, payable for life, can be awarded to members who in addition to being permanently incapable of carrying out the duties of their employment, are medically certified as unlikely to be capable of gainful employment within three years of leaving, but are likely to be capable of doing so before their Normal Pension Age. The benefits under Tier 2 are based on the pension already built up in the pension account at the date of leaving plus 25% of the pension the member would have built up had they been in the main section of the scheme until Normal Pension Age (see Protection in 'Points to Note').

Tier 3

Immediate, time limited benefits can be paid to members who are permanently incapable of carrying out the duties of their employment and are deemed to be likely to be capable of gainful employment within three years of leaving, or before their Normal Pension Age if earlier. The benefits under Tier 3 are based ONLY on the pension already built up at the point of leaving, WITHOUT any increases.

Tier 3 cont.

Members retired under Tier 3 are required to notify their previous employer if any 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 an 18 month review, is still deemed incapable 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 review the former employer is required to undertake at 18 months is to determine whether the member is now capable of gainful employment and should have their benefits ceased. If as a result of the review, it is found that the member now meets the criteria for Tier 2 benefits, then an increased pension would be paid from the point of that assessment and would be payable for life.

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.**
If you resign you will be treated as a voluntary leaver and if you are under Normal Pension Age your pension benefits will be deferred. Early payment of those benefits may be requested on voluntary grounds after age 55 however they will be paid at a reduced rate. You may apply for the early release of your deferred benefits on permanent ill health grounds however the benefits released are likely to be considerably less than if your employer had retired you on ill health grounds.

It is therefore important to approach your employer first to ask to be considered for ill health retirement.

- **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 IRMP 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?

If you are not awarded an ill-health retirement pension or are unhappy with the level of benefit paid, you can appeal against this decision by writing to the employing authority that made the decision, setting out the reasons for your disagreement. Any appeal against the decision

of the employing authority is required to be made within 6 months of the date of the original decision. The LGPEN 2 guide to the Internal Dispute Resolution Procedure may be obtained by contacting Notts LG Pensions Office or by visiting our website (see contact details overleaf).

Points to Note

- Protection - if the member qualifies for Tier 1 or Tier 2 ill-health benefits, *and* was paying in to the scheme on 31 March 2008, *and* was aged 45 or over on that date, *and* has been in continuous membership of the LGPS, then there is protection to ensure the ill health retirement benefits are no less than they would have been under the scheme as it applied before 1 April 2008. The protection would not apply if the member had previously drawn benefits on taking flexible retirement.
- If, in the medical practitioner's opinion, the member is wholly or partly part-time as a result of poor health, then the pensionable pay is calculated on the pay the member would have received had they not been working reduced contractual hours.
- Ill-health pensions are increased each year in line with the Consumer Prices Index, regardless of age.

Disclaimer

1. The information provided in this document represents the Council's best understanding and interpretation of the Local Government Pension Scheme regulations at the time of issue of this guide. The information is subject to change due to various factors including, but not limited to, changes to rules and regulations introduced by the Government Actuary's Department, HMRC and / or the Department for Communities and Local Government. Changes can happen at short notice and may be implemented prior to the Council issuing any future revised documentation.
2. The information provided is not intended to give you financial advice as the Council is not regulated under the Financial Services Act and so we strongly recommend that you obtain independent financial advice.
3. The Council excludes all and any liability for any loss, damages or expenses incurred or suffered (including consequential loss such as, but not limited to, loss of profit, anticipated savings and other economic loss) as a direct or indirect result arising from any information contained in this guide, or from any interpretation of the same, or from any act or decision taken as a result of using the same.



The Nottinghamshire Local Government Pension Scheme

is administered by Nottinghamshire County Council

Notts LG Pensions Office, Business Services Centre, Nottinghamshire County Council c/o County Hall, West Bridgford, Nottingham NG2 7QP
0115 977 2727 • nottspf.org.uk • lgpensions@nottsc.gov.uk