



# Ill-Health Retirement in the LGPS

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June 2024

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This leaflet has been produced for active members of the LGPS and covers some of the frequently asked questions we receive.

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## What is ill-health retirement?

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An ill-health retirement is retirement before Normal Pension Age (NPA), on the grounds of ill-health or infirmity of mind or body. If you are retired on these grounds, by your employer, you may be eligible for an ill-health pension.

Please be aware that the following process described in this leaflet only applies upon ill-health dismissal. If you choose to leave your employment voluntarily and therefore are no longer an active member, you will not be eligible for an ill-health pension.

## What conditions must be satisfied to receive an ill-health pension?

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The Local Government Pension Scheme (LGPS) regulations state an ill-health pension can be granted to: *'an active member who has qualifying service for a period of two years and whose employment is terminated by a Scheme employer on the grounds of ill-health or infirmity of mind or body before that member reaches Normal Pension Age (NPA)'*.

To satisfy the requirements for an ill-health pension the LGPS regulations state you must also meet the following two conditions:

- 1) 'As a result of ill-health or infirmity of mind or body, be permanently incapable of discharging efficiently the duties of the employment the member was engaged in.'
- (2) 'As a result of ill-health or infirmity of mind or body, is not immediately capable of undertaking any gainful employment.'

## What is the difference between an ill-health dismissal and an ill-health retirement?

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You can be dismissed from your role on the grounds of ill-health but this does not automatically entitle you to an ill-health pension.

This is due to the interpretation of the words 'permanently incapable' which in the LGPS regulations means; 'that the member will, more likely than not, be incapable until at the earliest, the member's normal pension age'.



If you, after a period of rest or treatment, would be able to fulfil the requirements of your employment then you would not be ‘permanently incapable’ and as such do not fulfil the criteria set out in the LGPS regulations.

**If my employer determines that I do qualify for ill-health retirement, what benefits would I be eligible to receive?**

The amount of retirement pension that you are awarded depends upon the severity of your condition. There are three different tiers of ill-health retirement benefits that can be awarded by your employer and, in some cases your benefits may be enhanced. The table below lays out the different tiers of ill-health pension that, according with the LGPS regulations, could be awarded. The table also shows the level of benefits that could be paid and how long the benefits would be paid for:

Tier	Criteria	Benefit paid	Payment period
1	Member is permanently incapable of undertaking any gainful employment before NPA	Enhancement based on 100% of the annual pension that would have been achieved between leaving and NPA	Permanent
2	Member is incapable of undertaking any gainful employment for at least 3 years but it is likely they will be capable of doing so before NPA	Enhancement based on 25% of the further annual pension that would have been achieved between leaving and NPA	Permanent
3	It is likely that the member will be capable of undertaking gainful employment within 3 years	No enhancement based upon actual pension built up	Paid for maximum of 3 years and ceases if gainful employment is obtained

**Tier 1 and tier 2 benefits** are both permanent benefits and cannot be changed at a later date if your circumstances change.



**Whose decision is it to award ill-health benefits?**

It is your employer who makes the decision to terminate your employment on the grounds of ill-health and whether to award 1st, 2nd or 3rd tier ill-health benefits. However, this decision cannot be made without having first obtained a certificate confirming the opinion of an Independent Registered Medical Practitioner (IRMP). Shropshire County Pension Fund has a list of approved IRMPs which must be used by your employer.

**What is the process an employer must follow?**

As mentioned above, before your employer can decide whether to award ill-health benefits or not, they must seek the advice of an IRMP who must be qualified in Occupational Health medicine.

The IRMP provides an opinion, based on medical evidence received, whether your condition meets the criteria outlined in the LGPS regulations for an ill-health retirement. It is then up to your employer to decide whether they agree with the opinion provided by the IRMP, as ultimately, awarding an ill-health pension is your employer's decision, not the pension funds. Your employer can choose to disagree with the opinion of the IRMP if they wish, but they need to demonstrate strong evidence to support this decision.

When your employer makes a decision whether to award an ill-health benefit or not, they must inform you of their decision in writing. If your employer awards you an ill-health benefit, the notification must include which tier of benefit they have awarded, and where you can find out further information about their decision. Before your benefits can be paid, the Pensions Team require a copy of your employer's decision letter and a completed leaver's form providing the salary information required to calculate your benefits. Your employer should also send a copy of the certificate completed by the IRMP and any other supporting documentation to the Pensions Team.

**How does the IRMP decide if, in their opinion, I meet the criteria for an ill-health pension?**

The IRMP will be provided with your medical information by your Occupational Health Team. Additionally, the IRMP will may request additional information from your GP and consultant about your medical condition.



The IRMP may not ask to see you but use the medical information provided to assess your ability to undertake your current employment based on a job description provided by your employer against the criteria set out in the LGPS regulations.

In forming their opinion, the IRMP looks at how many people, with the same medical condition, would recover before your normal pension age, in order to establish whether your condition would meet the criteria of 'permanently incapable'. If more people would remain ill than would recover before your normal pension age you may meet the criteria and be recommended for an ill health pension. However, if the opposite is true and more people would recover than remain ill, then you may not meet the ill-health criteria.

### **If I am awarded an ill-health benefit, is my pension payment permanent?**

If you are awarded tier 1 and tier 2 pensions are granted for life. However, tier 3 pensions are reviewable and granted for a period of up to three years (or until you gain gainful employment if before).

### **I have been awarded a tier 3 benefit, what does this mean?**

The tier 3 benefit is a temporary benefit payable for three years. Tier 3 benefits will stop at any point when gainful employment is found and it is your responsibility to inform your former employer that you have found gainful employment. The LGPS definition of 'gainful employment' means any paid employment for not less than 30 hours in each week for a period of not less than 12 months.

### **Tier 3 review**

If granted a tier 3 benefit your former employer is required to undertake a review after your pension has been paid for 18 months. If the 18 month review found that you were, at that point now capable of undertaking 'gainful employment', the pension would be suspended.

Following the 18 month review, if you remain incapable of undertaking gainful employment, in certain circumstances, then your pension can continue to be paid for up to three years from the date the employment ceased. It is also possible after the review for the Scheme employer to decide to award tier two benefits, although a further medical judgement would be needed.



**What happens to my pension benefits if my employer decides that I do not qualify for an ill-health pension?**

If you are not awarded an ill-health pension you will receive deferred benefits as if you were a scheme leaver before retirement. You can receive payment of your deferred benefits at your normal pension age. Your normal pensions age is linked to you State Pension Age (SPA).

Once you reach age 55, you can take your benefits early but there will be an actuarial reduction applied for payment of your pension before your normal pension age.

**Will my ill-health pension be taxed?**

Yes, your annual pension is subject to income tax in the same way as your salary; however, you do not pay national insurance contributions on your pension. Any lump sum retirement grant you receive is tax-free (in line with current HMRC rules).

**If I do not agree with my employer's decision, not to award an ill-health pension or if I think they have awarded me the wrong tier of benefits, can I appeal this decision?**

It is possible to appeal your employer's decision, however, you must have a reason for the appeal. For instance, you will need to demonstrate that the ill-health process has not been followed correctly or that there is new medical evidence that has not been looked at by the IRMP. An example of an appeal would be where the IRMP's certificate states that you meet the conditions, but your employer has not awarded you an ill-health pension. You must wait for an official decision to be made before submitting an appeal and you must make it clear on your appeal form what you are appealing against. For more information on the Internal Dispute Resolution Procedure (IDRP) see the Shropshire County Pension Fund's website or contact the Pensions Team.

**If I want to be considered for an ill-health pension what do I need to do?**

If you are looking at this leaflet then it is likely that you are concerned about your health and how it is affecting your ability to do your job. It is important to inform your employer as to the state of your health and how this is affecting your job. Your employer will follow their own Occupational Health processes regarding your employment and make any reasonable adjustments necessary for you to continue in your current job.



If adjustments have not improved your situation and your employer is considering dismissing you on the grounds of ill-health then they must determine whether or not you qualify for an ill-health pension before dismissal by referring you to an IRMP for an opinion on which to make a decision about whether to award benefits.

If you are eligible for an ill-health pension it must be awarded to you before you are dismissed.

**An ill-health pension can only be granted if you are being dismissed by your employer on the grounds of ill-health. It cannot be awarded if you choose to leave your employment voluntarily.**

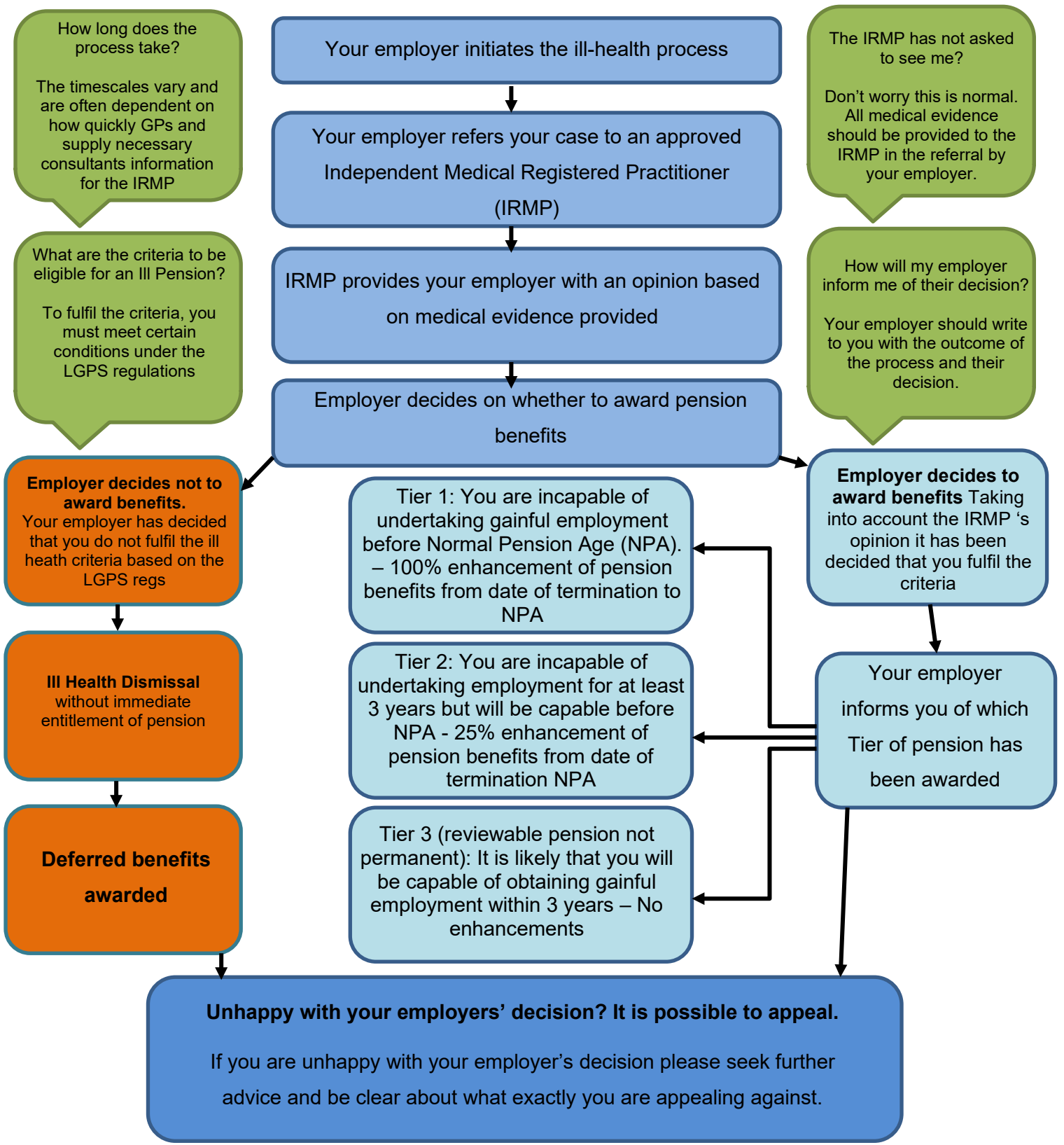
This leaflet has been prepared to provide an overview of Local Government Pension Scheme (LGPS) regulations for ill-health retirements. It cannot cover every circumstance and in the event of any dispute, the appropriate legislation will prevail. They do **NOT** confer any contractual or statutory rights.

The Shropshire County Pension Fund is a data controller under the General Data Protection Regulations. This means we store, hold and manage your personal data in line with statutory requirements to enable us to provide you with pension administration services. To enable us to carry out our statutory duty, we are required to share your information with certain bodies but will only do so in limited circumstances. For more information about how we hold your data, who we share it with and what rights you have to request information from the fund, please visit [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk).





### The Ill Health Process for Scheme Members





## Contact details

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The Shropshire County Pension Fund is a data controller under data-protection law. This means we store, hold and manage your personal information in line with statutory requirements to enable us to provide you with pension administration services. To enable us to carry out our statutory duty, we must share your information with certain bodies, but will only do so in limited circumstances. For more information about how we hold your information, who we share it with and what rights you have, you can ask for this information from the fund, please visit [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk).

If you can read this but know someone who cannot, please contact us on 01743 252130 so we can provide this information in a more suitable format.

### Office hours

<b>Monday to Thursday</b>	8.45am to 5.00pm
<b>Friday</b>	8.45am to 4.00pm

Helpdesk phonelines are open Monday to Friday: 10am to 4pm (excluding bank holidays).

### Contact details

**Email:** [pensions@shropshire.gov.uk](mailto:pensions@shropshire.gov.uk)

**Website:** [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk)

**Tel:** 01743 252130

**Write:** Pensions, PO Box 4826, Shrewsbury, SY1 9LJ

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