



**Staffordshire**  
Pension Fund  
Local Government Pension Scheme

# Understanding the Ill Health Retirement Process

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[www.staffspf.org.uk](http://www.staffspf.org.uk)

# What this session will cover

- Employer Roles and Responsibilities
- Managing the members ill Health process

## Outcomes

- To empower you to make decisions on ill health pension requests
- Confidently process ill health applications

# What is Ill Health Retirement?

- Important protection
- Three tiers of protection (Actives)
- One tier of protection (Deferred)
- Strict eligibility criteria
- You make the decision

**Popular subject for disputes - Important to get it right.**

# Ill Health Process

- Generally three stages for current employees:
  - Stage 1 – Employer monitors **sickness absence** under policy and in conjunction with Occupational Health provider
  - Stage 2 – **Health Assessment** - Employer makes referral to IRMP for medical opinion and certificate
  - Stage 3 – **Dismissal** - Employer decides level of ill health retirement (or not) and terminates employment



# Sickness Absence

- Ensure medical process commence **BEFORE** termination of employment on ill health
- Monitor and manage sickness absence in accordance with policy and Occupational Health
- Make adjustments to existing job
- Consider re-deployment, part time work, career break, re-training
- Don't raise member's expectations

# Your Responsibilities (for your current employees)

- The employer to instigate an ill-health retirement process for their active employees
- The employer must consider - Is employee fit to continue in current employment?

Make this decision after receiving advice from your Occupational Health advisor

Examples:

- Temporary illness that is taking several months to treat
- Potentially permanent condition for which normal medical treatment regimes have not yet been exhausted
- Permanent condition where treatment has now finished

# Are they eligible?

## To be entitled to an ill health pension the employee must:

- be below Normal Pension Age
- be dismissed on grounds of permanent ill health
- have at least two years qualifying service\*
- be **permanently incapable** of discharging efficiently, the duties of their current employment
- Not be immediately capable of undertaking **gainful employment**
- have been certified by the Independent Registered Medical Practitioner as meeting the ill health pension criteria

**\* Not just 2 years in current employment, they may have other qualifying service.**

# Independent Medical Practitioner (IRMP)

- Independent Registered Medical Practitioner
  - As the name implies – must be independent
  - Must be qualified in occupational health medicine
- Approved by the Administering Authority
  - See Fund website for up to date list
- IRMP NOT being asked to confirm ill health dismissal, but to give a medical opinion on the case
- IRMP considers medical factors only NOT factors like the availability of gainful employment in a particular area



# IRMPs & Certification

- Must declare that they have not previously:
  - Advised on the case
  - Given an opinion on the case
  - Been involved in the case
- Must state that they have not acted as the representative of:
  - The employee
  - The employer
  - Any other party in relation to the case
- Statements included on Medical Certificate

Employer to provide the IRMP with

- The Job Description
- Member's sickness record
- OHU report
- Ill Health Template Form (Fund's Website)

# What does Permanently Incapable mean?

- The member will, **more likely than not**, be incapable to do the current job efficiently until, at the earliest, his/her Normal Pension Age
  - Please note '**normal pension age**' is now linked to the individual member's State Pension Age.
- "More likely than not" is **key**
  - Probability Test - If a member would, on the balance of probabilities, recover sufficiently to be capable of undertaking their current/former employment before their normal pension age they cannot be said to be permanently incapable

# What is "Gainful Employment"?

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- Any paid employment 30 hours a week minimum of 12 months
- not comparable to the current employment



# What tier?

- What level of benefits to award them
- The Independent Registered Medical Practitioner (IRMP) will indicate their medical **opinion** as to which tier of benefits is appropriate.
- **Your** decision not the Practitioners
- This is an important decision as it will determine:
  - Applicable enhancements
  - Permanent or temporary

# Ill Health Tiers

Tier	Criteria	Benefit	Payment Period
<b>1</b>	Member is incapable of undertaking any gainful employment before NPA	Enhancement based on 100% of the further annual pension that would have been achieved between leaving and NPA	Permanent
<b>2</b>	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
<b>3</b>	It is likely that the member will be capable of undertaking gainful employment within 3 years	No enhancement - Based on actual pension built up	Maximum 3 years but will cease if member obtains gainful employment, subject to 18 month review



# Dismissal

Inform the employee of your decision and agree a dismissal date. Provide member with right of appeal

## **Ill Health retirement criteria is met**

- HR dismiss employee and inform Pensions of Ill Health Retirement

## **Ill Health retirement is not met**

- HR dismiss employee - inform member of reason for refusal
- Pensions calculate Deferred Benefit (subject to age and entitlement)

**Ill Health benefits cannot be awarded if the member resigns**

## Employer sends relevant forms and certificates to Pensions Section

- Leaver Form
  - Reason for leaving - ill health and Tier and Report
  - CARE Pay
  - Final Pay
- Copy of dismissal letter
- Completed and signed ill health certificate



Pensions Team provide member with options and forms

- Details of pension options
- Lifetime Allowance Form
- Bank Details Form
- Expression of wish form
- Request copies of birth certificates etc

On receipt of the members completed forms, the Pensions Team will arrange payment of benefits

## Tier 3 - 18 Month Review - Employer Role

- Employer must conduct a review after 18 months
- If the member is in gainful employment - stop the payment can recover any overpayment (employers discretion)
- If the member is not in gainful employment - obtain a further certificate from an IRMP
  - Can be the original IRMP
- The IRMP certifies as to the member's capability of undertaking gainful employment in the future - following which the employer:
  - Stops the payment immediately if capable of gainful employment
  - Continues the payment but stops when benefits paid for 3 years
  - Uplifts to tier 2 (never tier 1)

# Uplift to Tier 2 -Employer Decision

- At any time up to review (but most likely following Tier 3 review) or at any stage up to 3 years after Tier 3 pension stopped
- MUST relate to condition that resulted in Tier 3 pension
- Uplift paid from date of review (typically)
- 25% of enhancement calculated from date of leaving

# Ill Health Requests: Deferred Members

- You may receive requests for deferred pensions to be paid on ill health from:
  - Former employees
  - Active employees who have opted out of the scheme
  - Employees who are current members but also have a deferred pension
- Your decision to award
- Only receive unenhanced benefits



# III Health Requests: Deferred Members Employer Role

- Receives application from former employee for early release of pension
- Refers the former employee to an independent registered medical practitioner (IRMP)
- Obtains the IRMP medical opinion and certificate
- Decides whether to release deferred members benefit on ill health grounds and informs former employee of this decision
- Notifies Staffordshire Pension Fund of its decision
- Provides Staffordshire Pension Fund with the medical certificate

# Death in Service vs Ill Health

- In cases of terminal illness – **SPEEDING UP THE PROCESS IS CRUCIAL**
- In most cases ill-health retirement provides the better overall ‘financial package’ – check with pensions team
- Pensions will provide comparison estimates in these sensitive cases
- Fast track the case via OHU provider
- Death before employment is terminated results in death in service benefits

# Internal Dispute Resolution Procedure (IDRP)

- Any decision made regarding ill health can be appealed by the member including:
  - Entitlement to an ill health benefit
  - Failure to make a decision
  - Disagreement about the tier of benefit
  - The certification process
  - Suspension of tier 3 pension
- Stage 1 - employer
- Stage 2 - pension fund

# Summary

- Ensure your sickness absence procedure is followed
- Ensure timely referral to IRMP
- Ensure all up to date medical evidence is provided to the IRMP
- Monitor certification process and ensure the IRMP signs it
- Decide whether the case is an ill health retirement or not
- Decide which level of ill-health benefit to award
- Where there is no ill health benefit awarded - ensure member is notified of reason



# Questions

