

# Local Government Pension Scheme

## Understanding Ill Health Retirement Process

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# 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
- How to avoid disputes

# 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.**

# Your Responsibilities (for your current employees)

- The employer to instigate an ill-health retirement process for their active employees
- The employer must consider the following questions separately for each pensionable employment and make a decision:
  - Decision 1: Is employee fit to continue in current employment?
  - Decision 2: Are they eligible?
  - Decision 3: What tier?
- Your decision must be made based on the opinion of the Independent Registered Medical Practitioner (IRMP)
- Ultimately the employer's decision!

# Decision 1:

## 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

# Decision 2: Are they eligible?

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

- be below Normal Pension Age
- be dismissed on grounds of 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.**

# 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”?

- Any paid employment 30 hours a week minimum of 12 months
- not comparable to the current employment
- A permanent variable hours contract only becomes gainful employment when a pattern of 30 hours has been established



# 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

# Decision 3: 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

# III Health Tiers

Tier	Criteria	Benefit	Payment Period
1	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
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 on actual pension built up	Maximum 3 years but will cease if member obtains gainful employment, subject to 18 month review

# Employment vs Pension issues

Two separate processes that come together towards the end

- Are you going to continue to employ this person?
- Are they eligible for an ill health pension?
- For success you have to manage the employees expectations
- No promises!

# Employers must determine

Employers must determine:

- Is the employee eligible e.g. below Normal Pension Age, have 2 years qualifying pensionable service
- Does the member hold a deferred pension
- Does the IRMP consider the member's condition make them permanently incapable (to normal retirement age) of their current role
- Does the IRMP consider the member have a reduced likelihood of undertaking ANY gainful employment before normal retirement age

# 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

# 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

# Stage 1 – 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
- Comply with Disability Discrimination Act
- Don't raise member's expectations



## Stage 2 – IRMP Assessment

Employer to provide the IRMP with

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

# Employer Decision

Employer determines

- Whether ill health is met or not
- Tier of benefit awarded - 1,2 or 3

Remember to obtain signed medical certificate where the IRMP indicates not permanent ill health and notify Fund

# Stage 3 - 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

Ill Health benefits cannot be awarded if the member resigns

# Retirement Process

## Employer sends relevant forms and certificates to Pensions

- 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

# Retirement Process

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 Review – Employer Role

- Tier 3 pensioner MUST notify employer when gainful employment obtained
- Must provide details of pay and working hours
- Employer decides whether employment is gainful
- If it is – inform Pensions of the date to stop payments
- If overpayment (gross amount) is recovered – pay over to Pension Fund asap
- Short term contracts (less than 12 months) do not constitute gainful employment
- Open ended contract for 30 hours or more per week = gainful employment

## 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)
  - Notify Pensions using the 18 month review decision certificate
- 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 anytime 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
  - IRMP certifies that:
    - Member no longer capable of undertaking gainful employment within 3 years of date of leaving
  - Uplift paid from date of review
  - 25% of enhancement calculated from date of leaving
- NB no option to commute additional pension for a cash lump sum



# 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

# Ill 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

# Deferred Members relevant dates for payment of ill health benefits

**Leaving date before 01/04/1998** – date the IRMP certificate met the permanency criteria

**Leaving date between 01/04/1998 and 31/03/2008** – date the member made their application

**Leaving date on or after 01/04/2008 and before 01/04/2014** – date the IRMP certifies the member met the permanency criteria

**Leaving date after 31/03/2014** – this is the date the employer determines the ill health benefits should be released

## 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’
- 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
- IRMPs do NOT make the decision

# 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 and sign the certificate
- Where there is no ill health benefit awarded – ensure member is notified of reason

# New Forms ...

## Certificates (April 2021)

### Certificates for active employees

- [Active Certificate 2014 Scheme](#) (70 KB) - to be used for any case where an Active member is being sent for Ill Health assessment after 1 April 2014

### Certificates for deferred members

The certificates below are for members of the LGPS

- [Deferred Benefits LGPS 2014](#) (66KB) - for members with a Deferred Benefit awarded after 1 April 2014
- [Deferred Benefits LGPS 2008](#) (68KB)- for members with a Deferred Benefit awarded between 1 April 2008 and 31 March 2014
- [Deferred Benefits LGPS 1997](#) (66KB) - for members with a Deferred Benefit awarded between 1 April 1998 and 31 March 2008
- [Deferred Benefits LGPS 1995](#) (70KB) - for members with a Deferred Benefit awarded before 31 March 1998

The certificates below are for Councillor members of the LGPS (i.e. elected Councillors who chose to join the LGPS - this is no longer an option for Councillors elected after 1 April 2014)

- [Deferred Benefits \(Councillor\)](#) (66KB)

### Certificates for tier 3 ill health retirement cases

The certificates below are for Tier 3 benefits awarded after 1 April 2014

- [Review of tier 3 ill-health pension \(in payment\) LGPS 2014](#) (60KB) **February 2020**
- [Review of tier 3 ill-health pension \(within 3 years of cessation\) LGPS 2014](#) (59KB) **January 2020**
- [Review of tier 3 ill-health pension \(more than 3 years after cessation\) LGPS 2014](#) (60KB)

The certificates below are for Tier 3 benefits awarded between 1 April 2008 and 31 March 2014

- [Review of tier 3 ill-health pension \(within 3 years of cessation\) LGPS 2008](#) (64KB)
- [Review of tier 3 ill-health pension \(more than 3 years after cessation\) LGPS 2008](#) (62KB)

# Further information

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

For more information on  
your LGPS benefits and  
an on line benefits  
Calculator

e-mail:

[martin.griffiths@staffordshire.gov.uk](mailto:martin.griffiths@staffordshire.gov.uk)

[pensions.enquiries@staffordshire.gov.uk](mailto:pensions.enquiries@staffordshire.gov.uk)

Telephone (01785) 278222

The screenshot shows the Staffordshire Pension Fund website. At the top, there is a navigation bar with links for "Skip Navigation", "Text-Only", "Site Index", and a search box. The logo for the Staffordshire Pension Fund is prominently displayed, featuring two interlocking rings and the text "Staffordshire Pension Fund Local Government Pension Scheme". Below the logo, the breadcrumb trail reads "Staffordshire Pension Fund Home > Staffordshire Pension Fund Homepage". A "Printer friendly" link is visible in the top right corner.

The main content area is divided into two columns. The left column contains a list of navigation links: "About Us", "Active Members", "Pensioners", "Councillor Members", "Deferred Members", "Employers", "Fund", "Online 'Self-service' Calculator", "What's New", "Service Standards", "Governance", "Other Useful Sites", "Terms and Conditions", and "Contact Us".

The right column contains the main text and a vertical sidebar of icons. The main text includes a welcome message, a description of the Local Government Pension Scheme (LGPS), information about the Staffordshire Pension Fund, and instructions for active members, teachers, and those interested in the scheme. The sidebar contains five icons with corresponding text: "Pension Scheme Guide", "Online Benefits Calculator", "Thinking of Joining?", "Web Site Guide", and "Contact Us".

At the bottom of the page, there is a footer with the text "Page Last Modified: 09/11/2009 09:53:14" and a "Back to top" link. A "Email a link to this page" link is also present in the bottom right corner.



# Questions?

