

Ill Health Retirement

**An explanation of the 3 Tiers of Ill Health Retirement
Pension under the Local Government Pension
Scheme Regulations 2013**



An employer who awards an ill-health retirement pension under the Local Government Pension Scheme 2014 must decide into which of the three tiers allowed by the Scheme it will fall. These notes explain eligibility for each of the tiers.

In all cases, for you to be entitled to any tier of ill-health pension, your employer must decide that, because of your ill-health or infirmity of mind or body, you –

- (a) are permanently incapable¹ of discharging efficiently the duties of your current employment with the employer, and
- (b) are not immediately capable of undertaking any gainful employment² (in local government or elsewhere).

When making the decision the employer must have regard to a medical certificate provided by an independent registered medical practitioner ("IRMP") who has an appropriate qualification in occupational health medicine. If the above conditions are met, the extent to which you are capable of undertaking gainful employment will determine which tier of ill-health retirement pension would be payable to you.

Tier 1

You would be entitled to a Tier 1 award if your employer has determined that you are unlikely to be capable of undertaking gainful employment before Normal Pension Age. You would have:

- entitlement to immediate payment of the Scheme retirement benefits that you had built up to your last day of service, plus
- additional retirement benefits based on the period of membership you would have built up from your last day of service to Normal Pension Age, had your employment continued.

These benefits are payable for life and not subject to review.

Tier 2

You would be entitled to a Tier 2 award if your employer has determined that, although you are unlikely to be capable of undertaking gainful employment within three years of leaving, it is likely that you will be capable before Normal Pension Age. You would have:

- entitlement to immediate payment of the Scheme retirement benefits that you had built up to your last day of service, plus
- additional retirement benefits based on 25% of the period of membership you would have built up from your last day of service to Normal Pension Age, had your employment continued.

These benefits are payable for life and not subject to review.

¹ "permanently incapable" means incapable to at least your Normal Pension Age

² "gainful employment" is defined in the Scheme as "paid employment for not less than 30 hours in each week for a period of not less than 12 months." The likelihood of obtaining such employment is decided on medical capability, and not on non-medical issues such as current and/or locally available job vacancies.

Tier 3

You would be entitled to a Tier 3 award if your employer has determined that it is likely that you will be capable of undertaking gainful employment within three years of leaving, or before Normal Pension Age, if earlier. You would have entitlement to immediate payment of the Scheme retirement benefits that you had built up to your last day of service but, unlike the Tier 1 and Tier 2 awards, there would be no additional retirement benefits based upon a notional period of membership.

The benefits would be paid for a maximum of three years only, and you would cease to be eligible for payments before the end of those three years if you obtain gainful employment or, following review (see below), are considered to be capable of undertaking such employment.

The payment of a Tier 3 award is subject to the following conditions:

- You must notify your former employer (i.e. the employer that made the award) if any employment is obtained, with details that include the pay and working hours.
- You will be required to answer any enquiries made by your former employer as to your current employment status including details of pay and working hours.
- Once the benefits have been paid for 18 months they must be reviewed. Your former employer will seek a further medical opinion as to your capability (as a result of the medical condition which gave rise to the ill-health pension) of undertaking gainful employment within 3 years of your retirement. Having regard to that medical opinion, your former employer may decide to –
 - continue making the payments for the rest of the three-year period, but they would remain subject to review; or
 - stop the payments from the date of the review; your pension would become a “deferred benefit”, normally payable at Normal Retirement Age although it can be paid earlier subject to certain conditions;
 - determine that you should be entitled to a Tier 2 pension from the date of the review; your Tier 3 pension would cease and an "enhanced" Tier 2 pension put into payment. As a Tier 2 pension it would be payable for life and not subject to further review.
- If you obtain gainful employment but do not declare this and your pension continues in payment, your employer has powers to recover overpayment from you.

If payments of your Tier 3 pension are discontinued and replaced with a deferred pension, you would have the right as a deferred pensioner to claim early payment of the deferred pension on ill-health grounds if you subsequently develop a medical condition unrelated to that which gave rise to the Tier 3 pension. You may also seek release of benefits as a result of the condition which resulted in the Tier 3 pension but in these circumstances your former employer would consider and determine whether you have eligibility for a Tier 2 pension instead. Such a determination must be made within three years of the date that payments of Tier 3 pension were discontinued (or before you reach Normal Pension Age if earlier). Any increase in benefits resulting from this would be payable from the date of the determination.

Additional points

If, before your retirement, your contractual hours/weeks were reduced to accommodate your ill-health, this reduction may be ignored when assessing the Tier 1 or 2 additional benefit.

If you were both a member of the Local Government Pension Scheme and aged 45 before 1 April 2008, and you are entitled to a Tier 1 or Tier 2 ill-health pension, the amount of pension payable including enhancement must not be less than you would have received had you retired under the ill-health provisions of the Local Government Pension Scheme Regulations 1997.

Further information

If you require further information about the areas covered by these notes, you can get in touch as follows:



www.staffspf.org.uk



pensions.enquiries@staffordshire.gov.uk



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If you require this document in an alternative format please contact Pension Services, Staffordshire County Council, 2 Staffordshire Place, Tipping Street, Stafford ST16 2DH