

Royal County of Berkshire Pension Fund

Ill-health Retirement Guide

In this guide we will look at retirement from the LGPS on ill-health grounds.

To qualify for ill-health retirement you have to have met the 2 years vesting period in the scheme and your employer, based on an opinion from an Independent Registered Medical Practitioner (IRMP) appointed by them, must be satisfied that you will be permanently unable to do your own job until your Normal Pension Age (NPA) and that you are not immediately capable of undertaking 'gainful employment'.

If ill-health retirement is granted you will receive your pension immediately. Your employer must be satisfied that, because of ill-health, you have become permanently incapable of doing your job and they will need to assess, with the help of a qualified Independent Registered Medical Practitioner (IRMP), the likelihood of you obtaining gainful employment in the future.

There are three tiers of ill-health retirement – **Tier 1**, **Tier 2** and **Tier 3** and it is the responsibility of the Scheme employer, with guidance from their approved IRMP, to determine which tier each case should fall into.

➤ Tier 1

Your employer determines that there is no reasonable prospect of you obtaining gainful employment before reaching your NPA and so your retirement benefits will be enhanced by 100% of the prospective pension build up to your NPA.

➤ Tier 2

Your employer determines that, although the you cannot obtain gainful employment within a reasonable period of leaving Local Government employment, it is likely that you will be able to obtain gainful employment before your NPA and so your retirement benefits will be enhanced by 25% of the prospective pension build-up to NPA. Please note: If you were a member of the LGPS on 31 March 2008 and were aged 45 or over at that time, you will receive an enhancement as applied under the Local Government Pension Scheme Regulations 1997 if better than the enhancement shown above.

➤ Tier 3

The employer determines that you will obtain gainful employment within a reasonable period (defined as 3 years) and retirement benefits built up to date can be released. The retirement benefits will not be enhanced but must be reviewed by your employer within 18 months and again after 3 years.

If you are granted a tier 3 ill-health retirement pension you are responsible for notifying your former employer if you obtain further employment. If after 3 years you are still incapable of gainful employment, your case can be reviewed by a qualified IRMP who can advise as to whether the pension in payment could be 'upgraded' to a tier 2 ill-health case.

Further points to consider:

- For the purposes of ill-health retirement the regulations define **gainful employment** as being paid employment for not less than 30 hours in each week for a period of not less than 12 months. A reasonable period is also defined as being 3 years.
- It is important to note that the IRMP must be in a position to certify, and must include in the certification, a statement that they have not previously advised, given an opinion on, or otherwise been involved in your case and that they are not acting, and has not at any time acted, as your or your employer's representative.
- Regardless of the **85-year rule**, your retirement benefits will not be actuarially reduced if you have to retire early due to permanent ill-health.
- If you are paying Additional Pension Contributions (APCs) and you retire due to permanent ill-health, you will be treated as having paid the full value of your APCs to the end of your prescribed payment period and, therefore, your pension will be calculated taking into account the full amount of pension that you had elected to purchase – even though you may not have completed all payments.

Ill-health FAQs

Please find below some frequently asked questions surrounding ill-health retirement.

What age do I have to be before applying for ill-health retirement?

An ill-health retirement pension can be paid at any age.

When is my NPA)?

Your NPA is linked to your State Pension Age (SPA) but with a minimum age of 65. If you claim your pension from your NPA you will receive your retirement benefits in full without any reduction.

When is my State Pension Age?

To find your SPA please follow the link to the SPA calculator which can be found on the www.gov.uk website: <https://www.gov.uk/state-pension-age>

What notice am I required to give?

You are required to give no prior notice to claim your pension on ill-health grounds. If ill-health retirement is granted your employer will instruct the pension team accordingly.

Who makes the decision to award ill-health retirement benefits?

It is your employer who makes the decision to terminate your employment on the grounds of ill-health but they cannot make this decision without having first obtained a certificate from an Independent Registered Medical Practitioner (IRMP) qualified in occupational health medicine and who is registered with the General Medical Council.

What happens to my AVC if I retire on ill-health grounds?

If you have an AVC fund with the Prudential, you will be entitled to take your AVC options at the point you retire. We would provide you with your AVC options when we write to you regarding your ill-health retirement benefits.

Will I have to pay tax on my pension?

Your annual pension is classed as a taxable income. When we commence payment of your ill-health retirement pension, we will inform HMRC accordingly. HMRC will notify us of the tax code they wish to operate for you. Any tax that you must pay will be deducted at source from your monthly pension payments. Any lump sum retirement grant payable is tax-free.

How do I obtain an ill-health retirement quotation?

If you would like an estimate of your pension entitlement assuming you are granted ill-health retirement, please contact your employer directly. We are unable to provide ill-health retirement figures directly to scheme members, but your employer can request such an estimate on your behalf.

Can I take a lump sum retirement if I am retired on ill-health grounds?

Yes, if you are retired on ill-health grounds you can choose to swap some of it for a tax-free lump sum.

For every £1 of annual pension you give up you will receive £12 of tax-free lump sum. If you joined the LGPS before 1 April 2008 then you will receive a tax-free lump sum when you retire. You will also have the option to exchange part of your pension to increase your lump sum.

‘my pension ONLINE’

‘my pension ONLINE’ enables you to securely update your personal details, perform pension estimates and update your nominated beneficiaries from the comfort of your own home or workplace.

It’s easy to sign up - just visit our website and click on the ‘my pension ONLINE’ logo.

More information

More detailed information about the scheme is available from the pension team at the following address: **Royal County of Berkshire Pension Fund, Zone C Town Hall, St Ives Road, Maidenhead, Berkshire, SL6 1RF**

Tel: 01628 796 668

E-mail: info@berkshirerpensions.org.uk

Web: www.berkshirerpensions.org.uk

