

Ill Health

The LGPS will pay a pension to members at any age if they qualify under the ill health rules. The ill health provisions of the LGPS are divided up into several levels depending on the severity of the illness. In all cases, to qualify for an ill health pension you must be certified as being permanently incapable of doing your job on grounds of ill health and have at least three months membership in the LGPS. The amount of enhanced pension you receive is determined by the severity of the illness and specifically by whether and when you are able to obtain gainful employment in the future.

Definitions

Permanently Incapable – not able before retirement age (65)

Gainful Employment – employment for 30 or more hours a week over 12 months

Tier 1

If your employer decides, on the basis of medical advice, that you will not be able to obtain gainful employment again before your 65th birthday then your pensionable service will be increased by the number of years you have left before reaching 65.

Example:

*Alan becomes seriously ill aged 42 and qualifies for a Tier 1 ill health pension. His pensionable salary is £26,000 and he has been a member of the LGPS for six years. So his ill health enhancement increases the amount of service used to calculate his pension by 23 years. Alan's annual pension therefore is $29/60 * 26000 = £12,567$.*

Tier 2

If your employer decides, on the basis of medical advice that you will be able to undertake gainful employment at some point before you reach 65 (although not within three years) then your pensionable service will be increased by a quarter of the number of years you have left before reaching 65. For members of the old scheme aged over 45 there is an underpin which means if they would have been better off with the ill health pension calculation from the 1997 Scheme, that figure will be used for their Tier 2 pension.

Example:

*At 53 Nina becomes too ill to continue in her job but the medical advice is that she will be able to undertake gainful employment in a few years' time. She has three years' service and earns £16,000 a year. Her ill health enhancement under Tier 2 increases the amount of service used to calculate her pension by three years $[65-53/4]$. Nina's annual pension therefore is $6/60 * 16000 = £1,600$.*

Tier 3

If your employer decides, on the basis of medical advice, that although you are permanently incapable of continuing to do your job, you could undertake gainful employment within three years, you will receive an unreduced pension. This means you would receive the amount of pension you had built up through your membership of the LGPS up to the point of your ill health retirement without reduction for early payment.



Tier 3 incorporates a review process as it is viewed more as an interim payment than a pension (despite coming from the pension scheme). A member with a Tier 3 pension should inform their old employer if/when they have secured paid work (this may or may not be gainful employment, the employer will determine this on the basis of the definition above). If gainful employment has not been secured after 18 months, the old employer will have to review the situation. This will involve a further medical assessment at which point the employer will be advised whether the original view that the member could undertake gainful employment within three years of the retirement still holds. If the assessment has changed, the employer may stop the Tier 3 pension if advised that the member could undertake gainful employment, or refer the member for a decision on a Tier 2 pension.

After three years your Tier 3 pension will be stopped. There is no obligation on the employer to review the situation at this point. To secure any further ill health benefit requires an appeal by the member through the internal disputes resolution procedure in order to seek a higher Tier pension.

Members who wish to take early retirement following the termination of a Tier 3 pension can now do so in line with other rules on voluntary early retirement, otherwise they have to wait until 65 to draw their pension. Following GMB representation the scheme rules have been amended to enable members to take their pension early voluntarily after their Tier 3 pension has ended either with actuarial reduction or if covered by Rule of 85 transitional protection, unreduced.

Example:

*Morgan becomes too ill to continue in her job but her employer, on advice from an appropriate medical adviser, decides that she should be able to undertake gainful employment within a couple of years. She has been a member of the LGPS part time for 6 years, working half time hours and earned £7,500 per year. Under Tier 3 provisions she receives a pension of $3/60 * 15000 = £750$ per year.*

After 18 months her old employer checks whether she is now able to undertake gainful employment. It doesn't matter that her previous employment was for half time hours, gainful employment is still a 30 hour a week job for 12 months. Her former employer is satisfied that Morgan hasn't been able to secure such a job since leaving and so refers her to a medical adviser for a further assessment. The medical advice remains that she will be able to undertake gainful employment within three years of her leaving but that it will take a further year. Her old employer then stops payment of her pension at that point. Her pension would then be suspended until she reached normal pension age.

Appeals

Members have the right to appeal any decision taken regarding the ill health process through the standard internal dispute resolution procedure. These decisions might include: the decision to grant/not to grant ill health retirement; the allocation to a particular tier of benefit under the ill health rules; the termination of a Tier 3 payment; and the decision not to grant higher tier benefits following the medical advice provided during a Tier 3 review.