

Overview of ill health retirements

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1. Summary

The report provides Pension Board members with an update on the number of ill health retirements which took place in 2015/16 and to date in 2016/17.

2. Recommendations

Pension Board Members are asked to note the contents within this report.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 Risk Management

By ensuring the guidance and legislation mentioned in this report is followed and adhered to risks to the Fund are minimised.

3.2 Human Rights Act Appraisal

The recommendations contained in this report are compatible with the Human Rights Act 1998.

3.3 Environmental Appraisal

There is no direct environmental, equalities or climate change consequence of this report.

3.4 Financial Implications

The cost of an ill health retirement is factored into individual employer contribution rates. As part of the Triennial Valuation the Scheme Actuary assumes a certain proportion of the active membership will retire due to ill health and includes the cost of this in individual employer rates. In addition adjustments are made where an individual employers actual experience during the last three years varied greatly from the assumptions made at the previous valuation.

4. Ill health retirements

- #### 4.1
- Regulation 35 of the Local Government Pension Scheme regulations 2013 states that an active member who has qualifying service for a period of two years and whose employment is terminated by a Scheme

employer on the grounds of ill health or infirmity of mind or body, before that member reaches Normal Pension Age, is entitled to, and must take, early payment of a retirement pension if that member satisfies two conditions. The first condition is that the member is, as a result of ill-health or infirmity of mind or body, permanently incapable of discharging efficiently the duties of the employment the member was engaged in. The second condition is that the member, as a result of ill-health or infirmity of mind or body, is not immediately capable of undertaking any gainful employment.

4.2 Scheme employers are responsible for making the decision to award ill health retirement benefits, but cannot make this decision without first obtaining an opinion from an Independent Registered Medical Practitioner (IRMP). The IRMP must be approved by the Fund and have a Diploma in Occupational Health Medicine, have membership of the Faculty of Occupational Medicine and be a member of General Medical Council. The list of approved IRMP's can be found on the Fund's website.

4.3 It is a Scheme employer's decision whether or not to agree an ill-health retirement. Once a decision is made to award ill health retirement benefits active members could receive an enhancement as there are three different levels of ill health retirement benefits. Tier 1, 2 or 3. Deferred pension members do not have the option to receive enhanced benefits on grounds of permanent ill health, instead they receive immediate payment of unreduced benefits.

5. Potential enhancements to benefits for active members

5.1 In the LGPS 2013 regulations, "gainful employment" means paid employment for no less than 30 hours in each week for a period of no less than 12 months.

5.2 Tier 1 – Member can be awarded this benefit if they are unlikely to be capable of undertaking gainful employment before Normal Pension Age. The member's service is fully enhanced up to Normal Pension Age.

5.3 Tier 2 – If the member is unlikely to be capable of undertaking any gainful employment within three years of leaving the employment, but is likely to be able to undertake gainful employment before reaching Normal Pension Age. The member's service is enhanced by 25% of membership to Normal Pension Age

5.4 Tier 3 – If the member is likely to be capable of undertaking gainful employment within three years of leaving the employment or before normal pension age if earlier, that member is entitled to Tier 3 benefits for so long as the member is not in gainful employment, up to a maximum of three years from the date the member left the employment. There is no enhancement to the benefit and eligibility is reviewed by the Scheme employer after 18 months. Tier 3 benefits can only be paid for a maximum of 3 years.

5. Number of ill health retirements

5.1 The number of ill health retirements which occurred during the periods 2015/16 and 2016/17 are:

	2015/16	2016/17 (to date)
Active Members	10 Tier 1 - 7 cases Tier 2 - 1 case Tier 3 – 2 cases	7 Tier 1 - 6 cases Tier 2 – 0 Tier 3 – 1 case
Deferred Members	3	7

6. Ill health retirements – advice and guidance

- 6.1** Specific guidance is available on the Funds website for members and employers on the ill health process. Training sessions were also held in early 2015 specifically for HR and Occupational Health staff dealing with ill health retirement cases at Shropshire Council and Telford & Wrekin Council. The subject of ill health retirements were also covered in a presentation given by the Pensions Manager at an Employers Meeting open to all Funds employers to attend held in January 2015.
- 6.2** The award of benefits or more commonly, non-award of benefits is a popular reason for an appeal through the Internal Dispute Resolution Procedure (IDRP). The first stage of the appeal is normally dealt with by the Scheme employer, as decision maker for the award or non-award of benefits. Members cannot appeal just because they are unhappy with the decision. To use the IDRP process members must clearly evidence why they feel they do meet the regulatory criteria or that new evidence should be considered if no benefits have been awarded. All IDRP cases received either directly to the Fund under a stage 2 appeal or cases which have been reported directly to employers which the Fund are aware of are recorded in the Annual Report.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Cabinet Member (Portfolio Holder)

NA

Local Member

Pensions Board; 10 February 2017: Overview of ill health retirements report

NA

Appendices

NA
