

Member Update: Permanent Ill Health

Previous updates have provided you with details about the new Local Government Pension Scheme (LGPS) that will come in on 1st April 2009.

In this Member Update we explain the changes in permanent ill health in more detail.

What is being changed?

Firstly, the criteria for qualifying for ill health retirement are being changed. Instead of being judged permanently unable (until 65) to do your job or any comparable job with your employer, the qualifying criteria will be based on your reasonable prospects of any paid employment of at least 30 hours a week for at least 12 months.

Secondly, the calculation of benefits is being changed. Instead of benefits being based on your service to date, benefits will be based on your total (actual and) prospective service to 65 with existing LGPS members being able to use the existing enhancements to service if this would leave them with a higher benefit. There will be two levels of permanent ill health benefits payable from the new LGPS:

- 100% of actual and prospective service, if you have no prospects of employment before 65.
- 100% of your service to date PLUS 25% of prospective service, if you have prospects of employment before 65.

How will the new LGPS protect me if I become permanently ill and am unlikely to ever work again?

If:

- you are currently unable to work and have at least two years total membership or have brought a transfer value into the LGPS and
- an approved and independent registered medical practitioner certifies that:
 - you have no reasonable prospect of paid employment
 - for not less than 30 hours per week
 - for a period of not less than 12 months before age 65,

you will receive an immediate permanent ill health pension based on your accrued membership plus 100% of prospective membership to age 65.

An example:

Joan retires on permanent ill health on her 49th birthday having 5 years of whole time membership. Joan's final pay is £16,000.

Joan's accrued membership	= 5 years
Joan's prospective membership between leaving and age 65	= 16 years

Joan's total permanent ill health membership	= 21 years
Joan's permanent ill health pension = $21/60 \times £16,000 = \mathbf{£5,600}$.	

Existing members of the LGPS will need to meet the new criteria for qualifying for a permanent ill health benefit but will be protected by a guarantee of being no worse off when the length of their permanent ill health pensionable service is calculated under the new LGPS.

For part timers, periods of extra membership are scaled down in proportion to part time hours worked at date of leaving against full time equivalent hours at that date.

How will the new LGPS protect me if I become permanently ill and am likely to work again?

If:

- you are currently unable to work and have at least two years total membership or have brought a transfer value into the LGPS and
- an approved and independent registered medical practitioner certifies that:
 - you have a reasonable prospect of paid employment before age 65
 - for not less than 30 hours per week
 - for a period of not less than 12 months,

you will receive an immediate permanent ill health pension based on your accrued membership plus 25% of your prospective membership between leaving and age 65.

An example:

Peter retires on permanent ill-health on his 53rd birthday having 20 years of whole-time membership. Peter's final pay is £24,000.

Peter's accrued membership	= 20 years
25% of Peter's prospective membership to 65 = $12 / 4$	= 3 years

Peter's total permanent ill health membership	= 23 years

Peter's permanent ill health pension = $23/60 \times \text{£}24,000 = \text{£}9,200$.

The provisions for part-timers or existing members of the LGPS detailed in the previous section also apply in this section.

Is there any other permanent ill health protection in the new LGPS?

There is continuing consultation on draft proposals that members who retire due to permanent ill health and who are certified as being capable of other 'gainful employment' quite soon after suffering ill health, be paid a discretionary lump sum benefit from outside the LGPS.

Summary

In summary, if you have two years' pensionable service and are certified as unable to perform your duties because of permanent ill health, the new LGPS will provide pensions based on prospective service (not on completed service as in the old LGPS) and tiered according to your ability to carry out other gainful employment before age 65.

An important point about ill health retirement is that it is necessary to provide the Strathclyde Pension Fund Office with a signed commutation form **before taking ill health retirement** if you wish to take more tax free cash than the basic old LGPS 3/80 of salary lump sum at retirement per year of service.

Keeping you up to date

The Strathclyde Pension Fund Office is planning a range of communications initiatives to ease in the new LGPS.

In the meantime, if you have any questions:
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