

## **NHS Pensions - Ill health retirement key notes**

### **About ill health retirement benefits**

The NHS Pension Scheme provides two levels of ill health retirement benefits, which are dependent on the severity of your condition and the likelihood of you being able to work again.

To qualify for ill health retirement benefits you must retire from pensionable employment because of illness or injury and either:

- be permanently incapable of efficiently carrying out the duties of your employment because of illness or injury (Tier 1 pension), or
- be permanently incapable of engaging in regular employment of like duration because of the illness or injury (Tier 2 pension).

### **About applying for ill health retirement benefits**

If you think that ill health retirement applies to you, contact your employer for form AW33E. We will ask our medical advisors to assess the medical evidence and confirm that you are permanently incapable of either carrying out your own duties or doing any regular work. If they confirm this and we are satisfied that you meet the rules for ill health retirement your pension benefits will become payable on receipt of a pension application form AW8.

### **About Tier 1 pensions**

If you are assessed as being unable to carry out the duties of your own job you will be entitled to the early payment of the retirement benefits you have earned to date without any actuarial adjustment. This is known as a Tier 1 pension.

### **About Tier 2 pensions**

If you are assessed as being permanently incapable of carrying out the duties of both your own job and also any other regular employment of like duration to your NHS job, you will be entitled to the retirement benefits you have earned to date plus an enhancement, known as a Tier 2 pension. A Tier 2 pension is made up of a Tier 1 pension plus a 'Tier 2 addition'. The enhancement to your retirement benefits is calculated as follows:

- **1995 Section and 2008 Section**

Equal to two-thirds of the difference between your age at retirement and Normal Pension Age.

- **2015 Scheme Tier 2 pension**

The 'Tier 2 addition' is a pro rata enhancement based on 1/2 of your prospective pension to your Normal Pension Age.

### **Exchanging part of your pension to a lump sum payment**

If you are a member of the 2015 Scheme, retained a 'final salary link' to membership of the 1995 or the 2008 Section and you are claiming your pension early due to ill health your pension benefits will be paid from the 2015 Scheme. Therefore should you wish to convert part of your pension to provide for a lump sum or larger lump sum, it will be necessary to select the amount you wish to convert from your total pension. It will not be possible for you to convert part of your pension from one section or scheme and not the other.

### **Returning to work with a Tier 2 pension**

If you want to retain your Tier 2 ill health pension there are restrictions based on the kind of work you do and the amount of money you earn. These restrictions differ primarily on whether you return to work in the NHS or not. There are two restrictions for those who return to work in the NHS and one for those outside NHS work.

You should also be aware that under the rules governing the continued receipt of a tier 2 ill health pension you **must** inform NHS Pensions if you return to work in the NHS or your earnings exceed the lower earnings limit. This is explained in more detail below.

### **How much time you can spend working in the NHS**

The following only applies to those working in the NHS. Working for the NHS means any work done:

- for an employer or commissioning body that has access to the NHS Pension Scheme, or
- on contracts funded by the NHS.

There is a restriction where you cannot work for more than 12 months in the NHS and keep your tier 2 ill health pension. The start of the 12 month period in which you can do work in the NHS starts on the day you first restart work in the NHS after your retirement.

If you do any work in the NHS after this 12 month period has ended, your tier 2 ill health pension will be substituted with a tier 1 ill health pension. You will not be able to regain your tier 2 ill health pension under any circumstances if you break this restriction.

For example, if you decided to restart working in the NHS on 09 August 2015, then you could only do work in the NHS from 9 August 2015 to 8 August 2016. Any work done in the NHS after 8 August 2016 would result in your tier 2 ill health pension being substituted with a tier 1 ill health pension. You would not be able to get your tier 2 ill health pension back, if this were to happen.

If you break this restriction, your tier 2 ill health pension will be substituted on the first pension payment date after the first day spent working in the NHS after the 12 month period ended.

**If you decide to restart work in the NHS, you must tell NHS Pensions immediately of the date you started work.**

Please also note that if you return to work in the NHS after retiring with a tier 2 ill health pension, your pension may also be subject to abatement. Both the 'Working after retirement' factsheet and Retirement Guide have more information about this.

### **Restricting your earnings while working**

#### **The following applies to both NHS and non NHS work**

There is a restriction where your gross earnings in any given tax year must not exceed the lower earnings limit (LEL) for primary class 1 National Insurance contributions for that tax year. Your gross earnings are what you are paid before any deductions (such as income tax and National Insurance contributions) are taken out.

The lower earnings limit is set by HM Revenue and Customs and the value for any given tax year can be found on the HM Revenue and Customs website:

<http://www.hmrc.gov.uk/rates/nic.htm>.

Please note that the lower earnings limit amounts are published as weekly amounts. The annual amount is calculated by multiplying the weekly amount by 52. For example, the weekly amount of the lower earnings limit for tax year 2012-13 was £107. Therefore, the annual amount of the lower earnings limit for that tax year is £5,564 (£107 × 52 weeks).

If, in the course of working, your earnings exceed the annual lower earnings limit in any given tax year, your tier 2 ill health pension will be substituted with a tier 1 ill health pension. However, you may have an opportunity to regain your tier 2 ill health pension.

If you break this restriction, your tier 2 ill health pension will be substituted on the first pension payment date after the day your earnings exceeded the annual lower earnings limit.

The day your earnings exceeded the annual lower earnings limit is the date you received the pay that caused your earnings to exceed the annual lower earnings limit.

For example, had you restarted work in tax year 2012-13 and earned £1,200 a month gross, after five months your gross earnings would have been £6,000. These earnings would have been in excess of the £5,564 annual lower earnings limit for tax year 2012-13. At the end of the fourth month your gross earnings would have amounted to £4,800, which would have been under the annual lower earnings limit. Therefore, the date you were paid your salary for the fifth month's work would have been the day your earnings exceeded the annual lower earnings limit.

**If you decide to restart work, you must keep your payslips and tell NHS Pensions immediately when your earnings are about to exceed the annual lower earnings limit.**

NHS Pensions will ask you to provide the payslip that took your earnings over the annual lower earnings limit, in order to determine the day your earnings exceeded the annual lower earnings limit.

### **Regaining your tier 2 ill health pension after exceeding the lower earnings limit**

As highlighted above you may have the opportunity to regain your tier 2 ill health pension if you exceed the lower earnings limit (NHS workers cannot regain a tier 2 ill health pension if they have worked more than 12 months in the NHS). To do this you must:

- be under Normal Pension Age\*
- you must stop working altogether
- you must submit to NHS Pensions new medical evidence for your condition now. The medical evidence must be submitted before the submission deadline which is 12 months after the day you first restarted work after your retirement.

**All three of these conditions must be satisfied for you to have the opportunity to regain your tier 2 ill health pension.**

If you are under Normal Pension Age, you have stopped working and your medical evidence is submitted in time, your evidence will be assessed by NHS Pensions' medical advisors. If the medical advisors determine that your condition still satisfies the criteria necessary for a tier 2 ill health pension, your tier 2 ill health pension will be reinstated from the date the medical advisor makes their determination.

If you start working again after your tier 2 pension has been reinstated and your earnings exceed the annual lower earnings limit once again, your tier 2 ill health pension will be substituted with a tier 1 ill health pension as described above, but you will not be allowed a second opportunity to regain your tier 2 ill health pension.

### **Avoiding overpayments of tier 2 ill health**

You are advised to inform NHS Pensions immediately about any earnings or work you may have done to avoid the possibility of your pension being overpaid. Any overpayment will have to be repaid. Furthermore, delaying notifying NHS Pensions may limit – or, at worst, eliminate – the time available to regain your tier 2 ill health pension and you may be left permanently with a tier 1 ill health pension.

### **Additional information**

\* Your Normal Pension Age is 60 years if you retired from the 1995 Section of the NHS Pensions Scheme. Your Normal Pension Age is 65 years if you retired from the 2008 Section of the NHS Pension Scheme. Your Normal Pension Age is the same as your State Pension Age (or age 65 if that is later) if you retired from the 2015 Scheme.

\*\* Eligibility to rejoin either the 2008 Section or the 2015 Scheme depends on certain criteria. Please see our website to determine which Scheme you will go into on rejoining.

### **Serious ill health lump sum**

#### **About taking all of your pension as lump sum retiring allowance**

If you qualify to take all of your pension as a lump sum retiring allowance, we convert your pension into lump sum retiring allowance.

If you have pensionable service on or after 1 April 2008 we reduce your pension to give you the maximum amount of additional lump sum retiring allowance possible. For every £1 of pension, your lump sum retiring allowance is increased by £12. We then multiply the remaining pension by five and add the two amounts together.