

NHS Pensions

Ill health retirement - Basic overview for employers



Disclaimer

The information contained in this guide has been prepared by the Stakeholder Engagement Team at NHS Pensions.

It represents the relevant NHS Pension Scheme Regulations and should not be treated as a complete and authoritative statement of the law.

No responsibility whatsoever will be assumed by the NHSBSA for any direct or consequential loss, financial or otherwise, damage or inconvenience, or any other obligation or liability incurred by readers relying on information contained in this guide.

Whilst every attempt is made to ensure the accuracy of the guide, it would be helpful if employers could bring to our attention any perceived errors or omissions using the Stakeholder Engagement email address at: nhsbsa.stakeholderengagement@nhs.net.

Contact details

You can contact us by calling:

Member helpline: 0300 330 1346

Employer helpline: 0300 330 1353

Opening times: 08:00 to 18:00 – Monday to Friday

Postal address:

NHS Pensions
PO Box 2269
Bolton
BL6 9JS

All [contact information](#) can also be located on our website.

Contents

Background	4
1. Ill health retirement benefits.....	4
2. Early payment of deferred benefits	4
3. The application	5
4. Supplementary forms for commuted ill health.....	6
5. The decision	6
6. Benefits payable	7
7. Returning to work.....	7
8. Costs to the employer.....	9

Background

Members of the NHS Pension Scheme with membership of two years or more and who are under normal pension age (NPA) may be eligible to retire and claim their benefits early unreduced due to ill health.

1. Ill health retirement benefits

There are two tiers of ill health retirement (Tier 1 and Tier 2) and the type of benefits a member can be awarded will depend on which tier they meet. NHS Pensions will seek the advice of the Scheme's Medical Advisors when assessing which tier the member meets..

Tier 1 - this level of benefit is payable if the member is accepted as permanently incapable of doing their NHS job because of physical or mental infirmity.

Tier 2 - this level of benefit is payable only if the member is accepted as permanently incapable of both doing their NHS job **and** permanently incapable of regular employment of like duration to their NHS job, because of physical or mental infirmity, irrespective of whether such employment is actually available to them. 'Like duration' means a regular employment for similar hours to their NHS job. A member who is not actively contributing to the NHS Pension Scheme cannot be awarded Tier 2.

Members can only apply for ill health retirement if the sole reason for termination of their employment is ill health. NHS pensionable employment must be terminated using exit code "04" as the reason for retirement.

2. Early payment of deferred benefits

Members who have left the NHS Pension Scheme and **also left** NHS employment may be able to apply for early payment of deferred benefits if they are suffering from physical or mental infirmity that makes them permanently incapable of regular employment of 'like duration' to their former NHS job. 'Like duration' means a regular employment for similar hours to their NHS job.

Members who have left the NHS Pension Scheme and who **remain** in NHS employment may be able to apply for early payment of deferred benefits if they are suffering from physical or mental infirmity that makes them permanently incapable of doing their NHS job.

Members who have a life expectancy of less than 12 months can apply to commute their ill health deferred benefits to a single lump sum payment providing the member was in pensionable employment on or after 6 March 1995.

3. The application forms

There are two different types of application forms to apply for ill health retirement.

Consideration of entitlement to ill health retirement benefits (AW33E)

The application form for members who have had their employment terminated solely due to ill health is called the 'Consideration of entitlement to ill health retirement benefits' (AW33E).

This form should also be completed by members who are still in NHS employment and are claiming early payment of deferred benefits and should be clearly marked 'Member opted out – NHS employment continues'.

Three separate parties complete this form:

- The employer
- The member
- An Occupational Health Doctor.

Consideration of entitlement for early payment of deferred benefits due to ill health (AW240)

The application form for members who have already left NHS employment or whose employment has not been terminated solely due to ill health (such as resignation or dismissal) need to complete the 'Consideration of entitlement for early payment of deferred benefits due to ill health' (AW240).

Two separate parties complete this form:

- The member
- An Occupational Health Doctor.

In some cases, members may have to complete **both** of the above forms. If an active member has fully deferred benefits (following a break of five years) they will need to complete an AW240 to claim their fully deferred benefits along with an AW33E to claim their current benefits. It is possible for a member to be awarded ill health retirement under one scheme and not the other.

Once completed by the applicable parties, the form or forms needs to be sent to NHS Pensions. NHS Pensions will make a note on the member's record and this completed application will then be passed to the Scheme's Medical Advisors for their clinical consideration.

4. Supplementary forms for commuted ill health

Application to commute ill health retirement benefits (AW341)

Members under normal pension age with a life expectancy of less than 12 months can choose to commute their ill health benefits to a single lump sum. To apply for this, the member needs to complete an application to commute ill health retirement benefits (AW341) and submit this along with their retirement application form AW8.

Application to commute age retirement benefits on grounds of serious ill health (AW341A)

Members over normal pension age are not eligible to apply for ill health retirement benefits but can choose to commute their age benefits to a single lump sum if their life expectancy is less than 12 months. To apply for this, the member needs to complete an 'Application to commute age retirement benefits on grounds of serious ill health' (AW341A), along with their retirement benefit claim form (AW8). In this circumstance, the benefits payable will not be enhanced under the ill health retirement arrangements.

5. The decision

Ill health application approved: The Scheme's Medical Advisors will notify the employer, the member and NHS Pensions via post of the 'tier' the member has been awarded. The employer and employee then need to complete and submit the applicable retirement form.

Members in NHS employment should complete the retirement benefit claim form (AW8). Members who left employment then applied for early payment of deferred benefits are required to complete the deferred benefits claim form (AW8P). Part 6 of the form asks about ill health.

Ill health application approved: For deferred members, the scheme's Medical Advisors will notify the member and NHS pensions.

Ill health application rejected: If an application is rejected by the Scheme's Medical Advisor, the employer if applicable, the member and NHS Pensions will be notified of this decision via post. This decision can be disputed by the member and details of how to do this are provided in the letter.

Timescales

The amount of time it can take from application to decision depends on the type of case. If further medical evidence is required, this can delay the decision; the form needs completing in full to avoid it being returned. Serious ill health applications are fast tracked and a decision given within 48 hours of the application form being received by NHS Pensions.

6. Benefits payable

Tier 1

The Tier 1 pension is the early payment of the retirement benefits a member has earned to date without any reduction.

Tier 2

The Tier 2 pension is early payment of retirement benefits earned to date, plus an enhancement. The enhancement to the retirement benefits is calculated as follows:

- 1995 Section and 2008 Section - Equal to two-thirds of the difference between the member's age at retirement and normal pension age
- 2015 Scheme Tier 2 pension - The 'Tier 2 addition' is a pro rata enhancement based on half of the member's prospective pension to their normal pension age

Deferred Members

- Early payment of deferred benefits provides entitlement to the retirement benefits the member has earned to date, paid without any actuarial reduction for early payment.

7. Returning to work

Tier 1 pension

If a member is in receipt of Tier 1 ill health benefits and returns to work in the NHS before normal pension age and their earnings exceed a certain limit, some of their pension will be subject to abatement. (Please see Abatement basic overview guide available on the Employers Hub) and for more technical guidance the Retire & Return Guide which can be found on our website.

There are no restrictions if you return to non NHS work. For the purpose of this, working for the NHS means any work done for an employer or commissioning body that has access to the NHS Pension Scheme or works on contracts funded by the NHS.

Tier 2 pension

The restrictions around returning to work whilst retaining a Tier 2 ill health pension are based on:

- the nature of the work undertaken

- the amount of money earned.

There are two restrictions for those who return to work in the NHS and one restriction for those who return to work outside of the NHS.

Restriction 1 - The 12 month restriction (only applicable to those returning to work in the NHS).

Members cannot work for more than 12 months in the NHS and keep their Tier 2 ill health pension. The start of the 12 month period starts on the day the member first returns to work in the NHS after retirement.

Any work conducted in the NHS after this 12 month period has ended will result in a Tier 2 ill health pension being substituted for a Tier 1 ill health pension. A Tier 2 ill health pension will not be reinstated under any circumstances if this restriction is broken.

Restriction 2 – The earnings restriction (applicable to both NHS and non NHS work).

A member's gross earnings in any given tax year must not exceed the lower earnings limit (which is set by [HM Revenue and Customs](#)) for primary class 1 National Insurance contributions for that tax year. Gross earnings are what are paid before any deductions (such as income tax and National Insurance contributions) are taken out.

This will result in the member's Tier 2 ill health pension being substituted with a Tier 1 ill health pension. If this restriction is broken, the Tier 2 ill health pension will be substituted on the first pension payment date after the day the member's earnings exceeded the annual lower earnings limit.

It is possible to regain the Tier 2 ill health pension if the member exceeds the lower earnings limit. In order to do so, the member must meet all three of the following criteria:

- Be under Normal Pension Age
- Stop working in the further employment altogether
- Submit new medical evidence to NHS Pensions which shows that the member again satisfies the Tier 2 condition stating their current condition

The medical evidence must be submitted before the submission deadline which is 12 months after the day the member first restarted work after their retirement. The evidence will be assessed by the Scheme's medical advisors who will determine if the member's condition still satisfies the criteria necessary for a Tier 2 ill health pension. The Tier 2 ill health pension will be reinstated from the day after the date that the further employment is terminated.

Members need to contact NHS Pensions immediately about any earnings or work they may undertake to avoid the possibility of their pension being overpaid. Any overpayment will have to be repaid. Any delay in notifying NHS Pensions may limit or eliminate the time available to regain the Tier 2 ill health pension and the pension could be permanently reduced to a Tier 1 ill health pension.

For information on eligibility to rejoin the pension scheme following ill health retirement, please refer to the information available on the Members Hub area of our website and for more technical guidance the Retire & Return Guide which can be found on our website.

Commutated pension

If a member opted to commute their pension to a single lump sum under serious ill health retirement, they would be eligible to return to work without reduction.

8. Costs to the employer

There are no direct costs that the employer is responsible for during the ill health retirement application. Active members of the NHS Pension Scheme usually have access to occupational health services who provide the information at no cost. If occupational health services are not available, or an alternative source is selected to provide the information, they may charge a fee which the member is responsible for.