



# Ill-health retirement in the LGPS

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## About this guide

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This leaflet has been prepared to give an overview of Local Government Pension Scheme (LGPS) regulations for ill-health retirements. It cannot cover every circumstance and in the event of any dispute, the appropriate legislation will prevail. They do NOT confer any contractual or statutory rights.

The Shropshire County Pension Fund is a data controller under the General Data Protection Regulations. This means we store, hold and manage your personal data in line with statutory requirements to enable us to provide you with pension administration services. To enable us to carry out our statutory duty, we are required to share your information with certain bodies but will only do so in limited circumstances. For more information about how we hold your data, who we share it with, and what rights you have to request information from the fund, please visit [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk).



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## What is ill-health retirement?

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An ill-health retirement is retirement before Normal Pension Age (NPA), due to ill-health or infirmity of mind or body. If you are retired on these grounds by your employer, you may be eligible for an ill-health pension.

The process described in this guide only applies if your job ends because of your ill-health. If you choose to leave your job voluntarily, and therefore are no longer paying into your pension, you will not be able to take an ill-health pension.

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## What are the requirements to receive an ill-health pension?

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The regulations of the Local Government Pension Scheme (LGPS) say an ill-health pension can be given to: '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 (NPA)'.

To meet the requirements for an ill-health pension, the LGPS regulations say you must also meet the following two conditions:

- 1) be unable to efficiently carry out the duties of your job because of ill-health or infirmity of mind or body; and
- (2) be immediately incapable of undertaking any gainful employment because of ill-health or infirmity of mind or body.

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## What is the difference between an ill-health dismissal and an ill-health retirement?

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You can be dismissed from your role because of ill-health, but this does not automatically entitle you to an ill-health pension.

This is due to the interpretation of the words 'permanently incapable' which means 'that the member will, more likely than not, be incapable until at the earliest, the member's normal pension age'.



If, after a period of rest or treatment, you would be able to fulfil the requirements of your job then you would not be 'permanently incapable' and so would not fulfil the criteria in the LGPS regulations.

### **If my employer decides that I qualify for ill-health retirement, what benefits would I be allowed to receive?**

The amount of pension you are awarded depends upon the severity of your condition.

There are three different tiers of ill-health retirement benefits that can be awarded by your employer, and in some cases, your benefits may be enhanced. The table below lays out the different tiers of ill-health pension that could be awarded, the level of benefits that could be paid and how long the benefits would be paid for:

<b>Tier</b>	<b>Criteria</b>	<b>Benefit paid</b>	<b>Payment period</b>
<b>1</b>	Member is permanently incapable of undertaking any gainful employment before NPA	Enhancement based on 100% of the annual pension that would have been achieved between leaving and NPA	Permanent
<b>2</b>	Member is incapable of undertaking any gainful employment for at least 3 years, but it is likely they will be capable of doing so before NPA	Enhancement based on 25% of the further annual pension that would have been achieved between leaving and NPA	Permanent
<b>3</b>	It is likely that the member will be capable of undertaking gainful employment within 3 years	No enhancement based upon actual pension built up	Paid for maximum of 3 years and ceases if gainful employment is obtained

**Tier 1 and tier 2 benefits** are both permanent benefits and cannot be changed later if your circumstances change.

### **Whose decision is it to award ill-health benefits?**

Your employer makes the decision to end your employment because of ill-health and whether to award 1st, 2nd or 3rd tier ill-health benefits. However, they cannot make this



decision without having first received a certificate confirming the opinion of an Independent Registered Medical Practitioner (IRMP). Shropshire County Pension Fund has a list of approved IRMPs which must be used by your employer.

### **What is the process an employer must follow?**

Before your employer can decide whether to award ill-health benefits, they must get advice from an IRMP qualified in Occupational Health medicine.

The IRMP gives an opinion, based on the medical evidence they have, whether your condition meets the criteria in the LGPS regulations for an ill-health retirement. It is then the decision of your employer to agree or disagree with the opinion provided by the IRMP. Your employer can choose to disagree, but they need to show strong evidence to support this decision.

When your employer has made their decision, they must tell you in writing. If they award you an ill-health benefit, they must also tell you which tier of benefit they have awarded, and where you can find further information about their decision. Before your benefits can be paid, your employer must send the pension fund:

- A copy of their decision letter;
- A completed leaver's form with the salary information needed to work out your benefits;
- A copy of the IRMPs certificate; and
- any other supporting documentation.

### **How does the IRMP decide if, in their opinion, I meet the criteria for an ill-health pension?**

The IRMP will be provided with your medical information by your Occupational Health Team. They may also request more information from your GP and consultant about your medical condition. The IRMP may not ask to see you but will use the medical information given to assess your ability to carry out your current job based on a job description provided by your employer against the criteria set out in the LGPS regulations.

When making their decision, the IRMP looks at how many people, with the same medical condition, would recover before your normal pension age to decide whether your condition



would meet the criteria of 'permanently incapable'. If more people would remain ill than recover before your NPA, you may meet the criteria and be recommended for an ill-health pension. However, if more people would recover, then you may not meet the ill-health criteria.

### **If I am awarded an ill-health benefit, is my pension payment permanent?**

Tier 1 and 2 pensions are awarded for life. However, tier 3 pensions are reviewable and given for up to three years (or until you find gainful employment, if before that time).

### **I have been awarded a tier 3 benefit, what does this mean?**

The tier 3 benefit is a temporary benefit payable for three years. They will stop when gainful employment is found, and it is your responsibility to tell your former employer that you have found it. The LGPS definition of 'gainful employment' is 'any paid employment for no less than 30 hours each week for no less than 12 months.'

### **Tier 3 review**

If awarded a tier 3 benefit, your former employer must carry out a review after your pension has been paid for 18 months. If this review found that you were now capable of 'gainful employment', the pension would be stopped.

Following the 18-month review, if you remain incapable of gainful employment, then sometimes, your pension can be paid for up to three years from the date your job ended. After the review, it is also possible for your employer to upgrade you to tier two benefits, although a further medical opinion would be needed.

### **What happens to my pension benefits if my employer decides I do not qualify for an ill-health pension?**

If you are not awarded an ill-health pension you will receive deferred benefits. You can receive payment of these at your normal pension age (which is linked to your State Pension Age (SPA)).

Once you reach age 55 you can take your benefits early, but there will be an actuarial reduction applied for payment of your pension before your normal pension age.



### **Will my ill-health pension be taxed?**

Yes, your annual pension is subject to income tax in the same way as your salary.

However, you do not pay national insurance contributions on your pension. Any lump sum retirement grant you receive is tax-free (in line with current HMRC rules).

### **If I disagree with my employer's decision not to award an ill-health pension, or, if I think they have awarded me the wrong tier of benefits, can I appeal this decision?**

You can appeal your employer's decision, but you must have a reason to. For example, you will need to show that the ill-health process has not been followed correctly or that there is new medical evidence that has not been looked at by the IRMP. An example of this would be if the IRMP's certificate says that you meet the conditions, but your employer has not awarded you an ill-health pension.

You must wait for an official decision to be made before sending an appeal and you must make it clear on your appeal form what you are appealing against. For more information on the Internal Dispute Resolution Procedure (IDRP) see the Shropshire County Pension Fund's website or contact the Pensions Team.

### **If I want to be considered for an ill-health pension, what do I need to do?**

If you are reading this booklet, then it is likely you are concerned about your health and how it is affecting your ability to do your job. It is important to tell your employer about the state of your health and its effect on your job. They will follow their own Occupational Health processes and make any reasonable adjustments needed for you to continue in your current job.

If adjustments have not improved your situation and your employer is considering dismissal because of ill-health, they must decide whether you qualify for an ill-health pension **before** dismissal, by referring you to an IRMP for their opinion. This is what your employer will base their decision on.

If you are eligible for an ill-health pension it must be awarded to you before you are dismissed.

**An ill-health pension can only be given if you are being dismissed by your employer because of ill-health. It cannot be awarded if you choose to leave your employment voluntarily.**



## The ill-health process for scheme members







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## Contact details

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If you can read this but know someone who cannot, please contact us on 01743 252130 so we can provide this information in a more suitable format.

### Office hours

<b>Monday to Thursday</b>	8.45am to 5.00pm
<b>Friday</b>	8.45am to 4.00pm

Helpdesk phonelines are open Monday to Friday: 10am to 4pm (excluding bank holidays).

### Contact details

**Email:** [pensions@shropshire.gov.uk](mailto:pensions@shropshire.gov.uk)

**Website:** [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk)

**Tel:** 01743 252130

**Write:** Pensions, PO Box 4826, Shrewsbury, SY1 9LJ

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