North East Scotland Pension Fund

GUIDE TO

Ill Health Retirement

Contents

Who can retire early due to ill health?

You can retire on ill health at any age, provided you have been a member of the LGPS for at least 2 years and your employer, based on the opinion of an independent occupational health physician, is satisfied that you are permanently incapable of doing your job until your Normal Pension Age. Normal Pension Age (NPA) is the same as your state pension age (or age 65, if your state pension age is lower than 65).

You will need to be examined by an independent practitioner qualified in occupational health medicine, appointed by your employer and approved by the Pension Fund. Your employer must arrange this for you.

If you do not have 2 years qualifying service, you will receive a refund of your pension contributions. You will not be entitled to any further pension benefits.

Ill health benefits can be paid at any age and are not reduced on account of early payment – in fact your benefits will be increased to make up for your early retirement.

Types of Ill Health Retirement

There are different levels of ill health benefits, based on how likely you are to work again after you leave.

- **Tier 1:** You are permanently incapable of doing your job and you are unlikely to be capable of gainful employment* before your Normal Pension Age. Your ill health benefits are based on:
    - the pension you have already built up in your pension account at your date of leaving the scheme *plus*
    - the pension you would have built up had you been in the scheme until you reached your Normal Pension Age. This is calculated on your assumed pensionable pay – simply the pay you would have received had you been working as normal.
- **Tier 2:** You are permanently incapable of doing your job but you are likely to be capable of gainful employment* before your Normal Pension Age. Your ill health benefits are based on:
    - the pension you have already built up in your pension account at your date of leaving the scheme *plus*
    - 25% of the pension you would have built up if you been in the main section of the scheme until you reached your Normal Pension Age. This is calculated on your assumed pensionable pay – simply the pay you would have received had you been working as normal.

***Gainful employment** is paid employment for no less than 30 hours per week for a period no less than 12 months.

Where an enhancement is payable, the additional pension is added to your pension account.

What benefits will I receive?

Your LGPS benefits are made up of:

- An annual pension that, after leaving**,** is adjusted every year in line with the cost of living for the rest of your life, and
- The option to exchange part of your pension for a tax free lump sum paid when you draw your pension benefits

Your annual pension is worked out as follows:

Every year, you build up a pension worth 1/49th of your pensionable pay (and any assumed pensionable pay). If you are in 50/50, you will build up a pension at 1/98th of your pay. The amount of pension built up is then added to your pension account and revalued at the end of each scheme year so your pension keeps up with the cost of living.

If during the scheme year you have been on leave and were on reduced contractual pay or no pay due to sickness or injury, then for the period of that leave, your pension is based on your assumed pensionable pay. This is the pay you would have received had you not been absent or working reduced contractual hours as a consequence of your ill health and ensures that the pension you built up during this period is not affected by your reduction in pay.

You can take a tax free lump sum by exchanging some of your annual pension (HMRC limits apply). For every £1 of annual pension that you give up, you will receive a £12 lump sum. So if you were to exchange £100 of annual pension, you would get £1,200 lump sum.

What if I am paying extra?

If you are paying:

- Additional Pension Contributions or Shared Cost Additional Pension Contributions,
- Additional Regular Contributions, or
- Added Years

You will be credited for all the extra pension you set out to buy, even if you have not completed full payment. With Added Years you will normally be credited with the whole extra period of membership you set out to buy.

If you are paying Additional Voluntary Contributions (AVCs) arranged through the LGPS (in-house AVCs) your contributions will cease when you cease to contribute to the LGPS. There are different ways you can use your in-house AVC fund:

- Buy an annuity
- Buy a top-up LGPS pension
- Take your AVCs as cash (You take 25% of your AVC as a tax-free lump sum, with the other 75% as a taxed lump sum. There are some restrictions on this but information can be provided)
- Buy extra membership in the LGPS (only if election to start paying the AVCs was made before 30 June 2005)
- Transfer your AVC fund to another pension scheme or arrangement offering pension flexibilities

Previously Retired on Ill Health

If you have previously received a Tier 1 ill health pension from the LGPS, or were awarded an LGPS ill health pension before 1 April 2009, then no enhancement can be added to your pension account if you are retired again for reasons of ill health.

If you have previously received a Tier 2 ill health pension from the LGPS, any enhancement due to further ill health retirement is adjusted and capped. If, in respect of the subsequent ill health retirement you are awarded a Tier 1 or Tier 2 pension, there are limits on the enhancement.

Ill Health Retirement - Deferred Members

If at any age you are too ill to continue working you can apply for ill health retirement. If accepted, your pension benefits will be paid immediately and without a reduction for early payment.

You may apply in writing at any age for the immediate payment of your deferred benefits on the grounds of ill health. Before determining whether to agree to the request, NESPF must ask an independent registered medical practitioner (IRMP) qualified in occupational health medicine to review the application. The IRMP will advise us whether in their opinion, you are permanently incapable of discharging efficiently the duties of your former employment because of ill-health or infirmity of mind or body and, if so, whether as a result of your condition you are unlikely to be capable of undertaking gainful employment (whether in local government or otherwise) before reaching your Normal Pension Age.

Gainful employment is defined as "paid employment for not less than 30 hours in each week for a period of not less than 12 months". If you left the LGPS before 1 April 2009, there is no condition regarding gainful employment, you just have to be permanently incapable of discharging the duties of your former employment.

If NESPF decides, after taking the advice of an IRMP, that you satisfy the conditions for ill health retirement, the benefits are paid without reduction regardless of age. However, there's no pension enhancement, so the two ill-health tiers that are applied to active ill-health retirements don't apply to a deferred benefit member.

Where deferred benefits are paid early on ill-health grounds, how they are paid depends on when you left the LGPS:

Date Left:	**Criteria**	**Date benefits payable from:**
Before 1 April 2009	permanently incapable of discharging efficiently duties of former employment	the date you apply for early payment on ill-health grounds
1 April 2009 – 31 March 2015	permanently incapable of discharging efficiently duties of former employment **and** the condition is likely to prevent you from obtaining gainful employment before Normal Pension Age (age 65)	the date you became permanently incapable
On or after 1 April 2015	permanently incapable of discharging efficiently duties of former employment **and** unlikely to be capable of undertaking gainful employment before Normal Pension Age (State Pension Age or age 65, if later)	the date you apply for early payment on ill-health grounds

To apply for ill health retirement please contact us. We will issue some forms for you and your doctor to complete and then pass your case onto an Independent Registered Medical Practitioner (IRMP) to assess your health and ability to continue working.

If ill health retirement is not approved, you have the right to appeal the decision. Find out more about our complaints procedure.

More information

More detailed information about the Local Government Pension Scheme is available from:

North East Scotland Pension Fund	Helpdesk:	(01224) 045 045
Level 1, 2MSq	Email:	pensions@nespf.org.uk
Marischal Square	Website:	www.nespf.org.uk
Broad Street		
Aberdeen		
AB10 1BL		

DISCLAIMER

The information in this guide is based on the Local Government Pension Scheme (Scotland) Regulations 2018 and other relevant legislation. It applies to people who were contributing members of the Local Government Pension Scheme on 1 April 2015 or who have since joined the Scheme. This guide was up-to-date at the time of publication in September 2026. It is for general use and cannot cover every personal circumstance, nor does it cover specific protected rights that apply to a very limited number of employees. In the event of any dispute over your pension benefits, the appropriate legislation will prevail as this guide does not confer any contractual or statutory rights and is provided for information purposes only.