

NI Teachers' Pension Scheme (NITPS)

Ill-health Retirement Guide

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Introduction and general information

Ill-health Retirement benefits may be paid if you have to retire before your Normal Pension Age (NPA) because you are permanently incapable of teaching due to illness or injury. Certain criteria have to be satisfied before a person becomes entitled to benefits.

This Guide provides you with information that is useful to know when you're considering applying for Ill-health Retirement with the NI Teachers' Pension Scheme.

This Guide also covers some issues you need to consider before completing the application.

In all cases, we recommend that you seek independent financial advice.

Help through the Ill-health Retirement process

If you are too ill to sign the forms please note that the Ill-health Retirement application can only be signed by individuals who have power of attorney or court of protection, and are thereby authorised to act on your behalf.

Things to consider if you have a life expectancy of less than one year

There are certain points to consider if you are seriously ill and you have a shortened life expectancy. If you are in this position, further information can be found on page 18.

Qualifying for Retirement Benefits

You can apply for Ill-health Retirement at any time during your career providing you are under the normal pension age (NPA) for the pension benefits you wish to take and you have at least 2 years' qualifying service. But if part of your service is before 6 April 1988, you must have either 2 years' qualifying service after 5 April 1988, or 5 years at any time, in order to qualify for retirement benefits, including Ill-health Retirement. Your service may be in Final Salary or Career Average arrangement or it may be a combination of both.

What if you haven't qualified for retirement benefits?

Short Service Serious Ill-health Grants (Members under 75 who have not qualified for pension benefits in the scheme and have shortened life expectancy).

If you have between 1 and 2 years of qualifying service and have a life expectancy of less than 12 months, you may get a one-off payment called a 'Short Service Serious Ill-health Grant'. An application must be made within 6 months of leaving pensionable employment. If you're in the Final Salary arrangement, it is calculated as 1/12th of average salary x length of reckonable service in years and fractions of a year. If you're in the Career Average arrangement, it will be two months' worth of your final pensionable earnings or the total amount of all your contributions plus 3% compound interest, if higher. This will include all member contributions, additional pension contributions, buy-out contributions and faster accrual contributions. The grant is paid as a lump sum which is tax free. If you have less than 1 year of qualifying service, you can apply for a repayment of contributions.

What are the criteria for qualifying for an Ill-health Retirement?

Ill-health Retirement benefits are payable in circumstances laid out in the 1998 and 2014 regulations. They provide for a two-tier Ill-health pension based on the severity of a member's illness or injury and whether the application is made 'in-service' or 'out-of-service'. The incapacity must be judged to be permanent – i.e. be expected to last until you reach NPA or beyond. Your application will be assessed against the 'two-tier' criteria if the application is made while 'in-service' and, thereby, may give rise to an enhancement [see timing of the entitlement]. The two tiers are described as follows:

TIER 1 (Partial Incapacity) – Ill-health pension based on your accrued benefit in the scheme. This is payable if you are assessed as meeting the 'incapacity condition' i.e. 'incapacitated' and likely to be 'incapacitated permanently'. This is where you are permanently unable to teach, but may be able to undertake other work up to your NPA; and

TIER 2 - An enhancement known as 'Total incapacity benefit' (in the 2010 Final Salary arrangement) or 'Total incapacity pension' (in the 2015 Career Average arrangement). This is where you meet the 'Total incapacity condition' because you are assessed as not only being permanently unable to teach, but you are also considered unable to undertake any 'gainful employment'* up to your NPA. This is referred to in this Guide as "Total incapacity enhancement".

** 'Gainful employment' refers to wording in the regulations whereby a person's ability to carry out any work is impaired by more than 90% and is likely to be impaired by more than 90% permanently.*

Qualifying for Retirement Benefits

Accrued benefits and the total incapacity enhancement are paid as two separate pensions. For Ill-health applications received on or after 6 January 2007, the accrued benefits (Tier 1) and total incapacity enhancement (Tier 2) will cease if you return to any paid or unpaid teaching employment (whether considered to be an employment eligible for inclusion in the Scheme or not) before you reach NPA. Total incapacity enhancement will cease if you engage in any gainful employment. You will be required to provide details of the employment you are undertaking. The total incapacity enhancement will only remain in payment if Teachers' Pensions are satisfied that the employment does not meet the gainful employment criteria described above, taking account of any report supplied by a registered medical practitioner.

The conditions for the continued entitlement to ill-health pension are different if the ill-health application was received before 6 January 2007. Any re-employment which you undertake after receiving ill health benefits must be notified to Teachers' Pensions to assess whether you continue to be eligible to receive them, unless you are above NPA.

As well as the medical criteria referred to above, there are other circumstances which will also determine whether your application is to be considered on a 'two-tier' ill-health basis or not.

Circumstances in which an 'in service' (two-tier) application will be considered

The timing of the application

If the application is made while you are 'on the employer's books' without a break, then the application may be considered against the 'two-tier' criteria, even if you are not receiving any pay from your employer. This continuation of the employee / employer relationship is treated as remaining in 'eligible employment', as you remain under a contract of employment.

If you have left all employment, you have two years from leaving pensionable service to apply if your application is to be considered against the two-tier Ill-health criteria (assuming that the condition that caused you to leave pensionable service is the same, or linked to, the condition to which the Ill-health Retirement application relates). This provides additional time for those who are forced to leave teaching due to 'slow-to-develop' or 'difficult-to-diagnose' conditions, or conditions where it is difficult to access suitable treatment quickly.

Please be aware that you leave pensionable service when:

- You are no longer teaching;
- Your sick pay is less than half pay;
- You receive less than half salary for adoption, maternity, parental, paternity or additional paternity leave; or
- You are no longer entitled to statutory adoption, maternity, paternity pay or additional statutory paternity pay.
- You have opted out of the Teachers' Pension Scheme.

Qualifying for Retirement Benefits

Any contractual payment of at least half pay up to the end of your contract is normally pensionable, even after a period of unpaid sickness absence or unpaid family leave. **If, however, a lump sum is paid in lieu of notice or in respect of any other accrued rights, the payment will not be pensionable in the NI Teachers' Pension Scheme.**

If you're a substitute teacher applying for benefits, you also need to be under a contract of employment to be in pensionable service. Being on a supply list itself does not always mean you are in a contractual relationship when you apply. This will depend on the precise nature of your contractual relationship with your employer. Teachers' Pensions will confirm the last date that you had actually worked as a teacher.

Other criteria in respect of a two-tier Ill-health application

Assuming you have sufficient service to qualify for benefits and the application is made:

- During the time you are in 'eligible employment'; or
- Within two years of leaving pensionable service.

Other criteria will also need to be satisfied before you can be assessed for the two-tier Ill-health arrangements. For example, you must:

1. Be under Normal Pension Age;
2. Include appropriate medical evidence and medical reports that will enable Teachers' Pensions, after taking advice from the Department's medical advisor, to determine whether you meet the criteria for ill health retirement, and if so, whether you meet the criteria for 'Partial incapacity' or 'Total incapacity'.
3. Have arranged for the Ill-health application form to be signed by your employer(s) within 2 years of leaving pensionable employment;
4. If you have left pensionable service:
 - a) Ill-health needs to be the main factor in the member leaving pensionable service. Hence, even if the member received a redundancy payment, the person must be incapacitated at the point of leaving pensionable service; and

- b) Have suffered from the same or a related illness/ condition at the point of leaving pensionable service and at the point of applying for Ill-health benefit.

Provided these conditions are met, your application will be considered under the two-tier Ill-health provisions.

Criteria for 'out-of-service' Ill-health applications

If the criteria set out above are not satisfied, any application for Ill-health Retirement will be considered as an 'out-of-service' application. This is relevant if:

1. The application is made more than two years after you left pensionable service and you are no longer in eligible employment;
2. You did not leave employment on grounds of 'incapacity'; or
3. You do not have an illness which was 'related', 'connected' or 'linked' to the incapacity which caused you to leave employment.

Please note that an out-of-service application needs to be witnessed by a person who is not a relative.

In these circumstances, your application will be considered on an 'out-of-service' basis. A pension based only on your accrued benefits will be awarded, if it is demonstrated that you are permanently incapable of any gainful employment (i.e. the 'Total incapacity condition'). There is no enhancement of pension in respect of out-of-service applications.

Under which arrangement of the Scheme will my Ill-health Retirement application be considered?

If your accrued benefits are only in the Final Salary arrangement, the permanency criteria for your Ill-health application will be judged against a NPA of either 60 for pre 2007 entrants or 65 for post 2006 or 'Mixed Service' members.

If you are a member of and have accrued benefits in the Career Average arrangement, the permanency criteria are assessed against a NPA equivalent to a person's prospective State Pension Age, or age 65 if higher, at the time the application is made.

If you have retained benefits in the Final Salary arrangement but have moved to the Career Average arrangement, the criteria for Ill-health benefits will be those applicable to the Career Average arrangement.

In all cases, if you meet the 'Total incapacity condition' and the application is received under the 'in-service' conditions, the enhancement will be based on 50% of your prospective service up to the relevant NPA. Enhancement is described in more detail later in this Guide.

How to apply for Ill-health benefits

Your employer should provide, or you can download from our website at <https://www.education-ni.gov.uk/sites/default/files/publications/education/TP5%20Application%20for%20Ill%20Health%20Retirement%20-%20ONLINE%20VERSION.pdf> the 'Application for Ill-health Retirement Benefits' form, TP5. The form contains notes on how to complete.

You must arrange for your employer to forward forms once they have been completed or you can arrange to send forms yourself, if you are submitting an out-of-service application.

In all cases, in support of your application, you may have or may require medical evidence from various accredited medical professionals e.g. an Occupational Health report if you are in service, or your GP if a non-serving teacher. Please provide as much information relevant to your medical condition as possible.

For an out-of-service application, you will be responsible for checking that forms have been completed and you will need to return them to Teachers' Pensions with the attached medical reports and medical evidence.

The ill-health application should be sent together with all relevant medical reports.

Forms need to be submitted within two years of leaving pensionable service to be regarded as 'in service', as well as meeting the other 'in-service' conditions.

Once all forms and relevant medical evidence has been received, Teachers' Pensions will then review the documents before submitting them to the scheme's Medical Advisors.

Please note that Teachers' Pensions will not accept an incomplete application. Please, therefore, do not send partial or incomplete forms.

Please take your own copies of applications and medical evidence before forwarding the documentation to Teachers' Pensions.

Providing Medical Evidence

It is up to you to provide any medical evidence to support your application. If the medical condition is severe enough to warrant consideration of Ill-health Retirement it will be expected that you will have had the benefit of a specialist opinion during your illness. If there are fees associated with obtaining evidence to be provided you will need to pay these.

Your application will be considered by the scheme's Medical Advisors who will make a recommendation based on the medical evidence provided. If there is insufficient evidence to allow the Medical Adviser to make a fully considered recommendation, your application for Ill-health Retirement will be rejected.

Teachers' Pensions will provide a copy of the opinion of the scheme's Medical Advisor, which will cover the reasons behind their opinion, with the notification of the Ill-health rejection.

If your application is rejected, the scheme's Medical Advisors may advise on further treatments that may need to be explored or other medical information that should be considered, before a further application is made.

It is your responsibility to ensure that any evidence you provide is current and comprehensive. Any medical reports from relevant specialists should be enclosed.

The evidence should demonstrate that:

- You have a recognised medical condition
- You have completed all reasonable treatment
- On the balance of probabilities, your medical condition renders you permanently incapable of:
 - Teaching in a full or part-time capacity in any other teaching role for the purposes of 'in-service' Tier 1 benefits; and
 - Any gainful employment for the purposes of the 'in-service' Total incapacity Enhancement (Tier 2) or the payment of 'out of service' Accrued Benefits.
 - Your incapacity is, on the balance of probability, likely to continue until your normal retirement age.

Setting a leaving date with your employer and payments made before termination of employment

Should you be accepted for Ill-health Retirement, you should agree a date with your employer in respect of when the contract of employment will cease.

Ill-health Retirement is awarded on the basis that the member is currently and likely to be permanently unfit to teach.

Furthermore, continued working may significantly compromise any claim for insurance or litigation proceedings if you are deemed at fault whilst remaining in your position having been assessed as permanently unfit to teach.

If your employment continues indefinitely or you remain in a teaching capacity, Teachers' Pensions retains the right to review your eligibility to Ill-health Retirement benefits because, by continuing to work, it could be construed that you're fit to teach.

If, however, you were already on long term sick leave when you were accepted for Ill-health Retirement, then Ill-health Retirement will become payable after your employer terminates your contract of employment, even where sickness absence is unpaid. Your service will remain pensionable in the Scheme provided you are paid at least half pay.

Processing an award

Once we have received the completed application and any supporting documentation, the application will be referred to the medical advisers.

Once they return the case to Teachers' Pensions, we will inform you of the decision in writing. Teachers' Pensions will advise you of the decision after receiving the recommendation from the medical advisers.

The exception to this timescale is if the application shows that a teacher was suspended. Under these circumstances Teachers' Pensions will confirm that your application form will not be processed but will remain on file. You are to notify Teachers' Pensions when the investigation has been completed. Once Teachers' Pensions receive clearance that you are no longer suspended, and provided you are not barred, your Ill-health Retirement application can be processed.

If your application confirms that Ill-health Retirement benefits are payable to you, we will request that you complete one further form, which provides us with your final service, salary and sick leave details. On receipt of the form, Teachers' Pensions will arrange for your benefits to be put into payment.

How the entitlement day of your award is determined

The entitlement day or payable date of your Ill-health pension award is the later of:

- a) The date on which you became incapacitated;
- b) The day after leaving all contracted or “eligible” employment; or
- c) The day that falls 6 months before the date of a medical report following consideration of which the Department is satisfied that you meet the incapacity condition or, if applicable, the total incapacity condition.

For members who are out-of-service, there is a requirement to provide current medical evidence to confirm that the individual is still suffering from that medical condition. You must provide medical evidence dated within 2 years of the application to demonstrate that you are incapacitated and likely to remain so permanently.

How we calculate an Accrued Ill-health award or a 'Total incapacity enhancement'

If you're in the Final Salary arrangement with an NPA of 60, your accrued pension will be calculated by taking your total reckonable service multiplied by your final average salary and dividing by 80. NPA60 members also get an automatic lump sum equal to 3 times the amount of your accrued pension.

If you're in the Final Salary arrangement with a NPA of 65, accrued benefits will be calculated by taking your total reckonable service, multiplied by your final average salary and dividing by 60. There is no automatic lump sum under the NPA65 arrangement, but you have the option to convert pension into lump sum if you wish.

If you're in the Career Average arrangement, your Career Average accrued benefits will be based on 1/57th of your pensionable earnings in each scheme year. The accrual rate will be different if you have made one or more Faster Accrual elections in a scheme year. Each year, the amount of Career Average pension earned during the year is added to your 'pot' and the total is revalued. There is no automatic lump sum under the Career Average arrangement, but you have the option to convert pension into lump sum if you wish.

How we calculate a 'Total incapacity enhancement'

If you meet the necessary 'in-service' conditions referred to earlier for your application to be considered under the two-tier Ill-health conditions, any Total incapacity enhancement will be calculated as follows:

- If you have applied while in the Final Salary arrangement before NPA 60 or 65, as appropriate, then the Total incapacity Enhancement pension is based on half of the service you would have completed between the entitlement day and your prospective NPA had you remained in employment. Hence, half your service to NPA is multiplied by your final average salary and divided by 80 (if you're a NPA 60 member) or by 60 (if you're a NPA 65 member).
- If you have applied while in the Career Average arrangement, any Total incapacity Enhancement is based on half of the service you would have completed between the entitlement day and your NPA had you remained in employment. Hence, if you are a Career Average member, half of your service to NPA is multiplied by your current fulltime equivalent annual rate of pensionable earnings and divided by 57 (the standard accrual rate for the Career Average arrangement) to arrive at the Total incapacity enhancement.

Conversion of pension for a retirement lump sum or higher retirement lump sum

Choosing to convert your pension will mean it's reduced for your lifetime and you must make your decision before completing your "Ill-health payment" form. For each £1 of pension that you give up you'll receive £12 of lump sum.

The maximum amount of retirement lump sum that you can receive is 25% of the total actuarial value of your benefits.

Once your "Ill-health payment" form is received by Teachers' Pensions and the payment is authorised, you cannot change the amount.

- NPA60 – If you have pensionable service before and after 1 January 2007, you will receive an automatic retirement lump sum when you take your Final Salary benefits and you will have the option to convert part of your pension to receive a further lump sum.
- NPA65 or Career Average – If your pensionable service is all from 1 January 2007 or later, you will not receive an automatic lump sum when you take those benefits. You can choose to give up part of your pension to receive a retirement lump sum.

Serious Ill-health Lump Sums

If you have a life expectancy of less than 1 year, you can request your pension to be converted to a one off final tax free lump sum payment. If you want to be considered for this type of award you should complete the relevant section of the Ill-health application form.

Please note that a serious ill-health lump sum is available to members in the following circumstances:

- The member's life expectancy is certified by a 'registered medical practitioner' or 'someone with equivalent overseas qualifications' as being less than one year;
- The member has not used up all of their remaining lifetime allowance at the point the payment is made; and
- The Teachers' Pension Scheme regulations require that the option to convert all of the pension benefits into lump sum is taken before the benefits (or, in the case of Phased Retirement or "Additional Service After Retirement", the remaining benefits) come into payment.

A serious ill-health lump sum equates to 5 times the member's annual pension, after any conversion of pension.

What if I die after I have been accepted for Serious Ill-health Commutation to Lump Sum but before the payment has been made?

If you die before the Serious Ill-Health lump sum comes into payment, provided this was accepted by Teachers' Pensions prior to the date of death, the Serious Ill-health lump sum will be paid to your estate. A death grant will not be payable. If you have already taken Phased Retirement benefits, provided you meet the necessary criteria, you are able to take the remainder of your benefits as a serious ill-health lump sum, if you wish.

How is the Serious Ill-health Lump Sum calculated?

If your application is accepted as 'in service' and you satisfy the 'Total incapacity condition', the award will be made up of two elements. The first element is called "Accrued pension benefits" and is based on your accrued benefits up to the date you leave pensionable service in the Teachers' Pension Scheme. The second element is a "Total incapacity enhancement", which is based on half of your prospective service to your NPA.

If your application was accepted as an 'out of service' application, the calculation of your award will be based on the accrued amount of benefits up to the date of leaving pensionable service in the Teachers' Pension Scheme. There will be no enhancement to your benefits.

- **Career Average** - Your one off tax free payment will be calculated by applying the maximum amount of conversion possible to your pension, this is at a rate of 1:12 (£1 sacrificed from pension gives you £12 of lump sum). The remaining pension is then multiplied by 5 and these converted figures are then added together. There is no automatic lump sum payable under the Career Average arrangement.
- **NPA60** - If you're a member of the scheme prior to 1 January 2007 and have pensionable service on or after this date, your one off tax free payment will be calculated by applying the maximum amount of conversion possible to your pension, this is at a rate of 1:12 (£1 sacrificed from pension gives you £12 of lump sum). The remaining pension is then multiplied by 5.

These converted figures are then added to your automatic lump sum payable under the NPA60 section of the Final Salary arrangement.

- **NPA65** - Your one-off tax free payment will be calculated by applying the maximum amount of conversion possible to your pension, this is at a rate of 1:12 (£1 sacrificed from pension gives you £12 of lump sum). The remaining pension is then multiplied by 5 and these converted figures are then added together. There is no automatic lump sum payable under the NPA65 section of the Final Salary arrangement.

Is it possible to cancel the payment of Ill-health benefits?

Please remember that you can change your mind at any time up to the point that the award is authorised to go into payment. The payment of your personal benefits will not affect any death benefits payable to any eligible family members which are paid separately.

If you wish to cancel either the serious Ill-health lump sum or an Ill-health Retirement application, confirmation should be provided in writing.

If your ill-health application is cancelled, your employer will also need to establish whether you are actually fit to teach.

Appealing against a decision

You have the right to make two Appeals, either or both of which can be against the level of benefit awarded or the rejection of the Ill-health Retirement application.

There is no time limit for making a First Appeal.

All that we require from you is a short letter in which you make it clear that you want to appeal plus any supporting medical information/evidence that you want Teachers' Pensions and the Medical Adviser to consider.

You can only submit supporting medical evidence that was available at the time of your initial application. If you've undergone any further tests or treatments and want that new evidence to be considered, then you would need to make a new Ill-health Retirement application.

If your first appeal is rejected you can make a second appeal. A Second Appeal has a time limit of 6 months. This means you must make your second appeal within 6 months from the date of the letter rejecting your First Appeal being issued.

Please note:

- Each Appeal will be looked at by a different medical adviser;
- If you're appealing against the level of benefit awarded, the whole case will be looked at again from the beginning; this means that the original decision could be upheld, you could be awarded a different level of benefits or the whole application could be rejected, in which case you would not be entitled to an Ill-health Retirement.

The NITPS operates an Internal Dispute Resolution (IDR) process, the purpose of which is to give members, a route by which they can pursue a dispute regarding a decision or the way in which the regulations have been applied. Further information on the IDR process is available at <https://www.education-ni.gov.uk/publications/teachers-pensions-internal-dispute-resolution-procedures>

What happens if you return to work?

Firstly, employers must be satisfied that you're medically fit to return to teaching and it's your responsibility to tell them that you're in receipt of Ill-health benefits. If you start work again in any form of teaching, lecturing or tutoring you must inform Teachers' Pensions. Your pension will stop immediately. If you fail to inform Teachers' Pensions that you have returned to work, you will have to pay back any pension paid to you since returning to work.

If you receive a 'Total incapacity enhancement' and you undertake ANY work, you must contact Teachers' Pensions immediately. If you undertake any employment as a teacher, lecturer, tutor or other teaching post, whether paid or unpaid, your enhanced pension will stop and you will have to pay back any enhanced pension you have received since starting work.

Details of any other employment must be notified to Teachers' Pensions so that this can be assessed accordingly.

Ill-health Retirement benefits and the Annual Allowance

The Annual Allowance is the maximum amount of pension saving you can make each year that benefits from tax relief. If your pension saving exceeds your Annual Allowance you will be liable to a tax charge on the excess. This tax charge is called the Annual Allowance charge.

Any pension savings made in a 'Pension input period' that ends in the tax year where you become entitled to benefits due to a severe ill-health condition will NOT count towards the Annual Allowance.

HMRC define the 'severe ill-health condition' as either:

- Where you become entitled to a serious ill-health lump sum from that arrangement; or
- You become entitled to all your benefits under an arrangement (such as the Teachers' Pension Scheme) because you are unlikely to be able to undertake any gainful employment up to State Pension Age. This is a similar condition to the 'Total incapacity condition' for Career Average members who are also assessed on their ability to work up to State Pension Age.

If you are a member of the Final Salary arrangement with a NPA (e.g. 60 or 65) which is before State Pension Age, the scheme's Medical Advisors will comment on whether you are unlikely to undertake any gainful employment up to State Pension Age as well as NPA, taking account of the evidence you provide from your chosen registered medical practitioner. This means that:

- If you were awarded 'in-service' Tier 1 benefits in either the Final Salary or Career Average arrangement, you would not meet the 'severe ill-health condition' and any growth in your benefits in the year of retirement will be assessed against the Annual Allowance in that 'Pension input period';
- If you were awarded 'in-service' Tier 1 and Tier 2 benefits in the Final Salary arrangement, but Teachers' Pensions believe you do not meet HMRC's 'severe ill-health condition' on the basis you could recover before State Pension Age, the growth in your benefits will be assessed for Annual Allowance purposes. In these circumstances, an Annual Allowance charge may arise in relation to any large enhancement of benefits.

If you were to exceed the Annual Allowance, Teachers' Pensions will inform you of this on a 'Pension Savings Statement'.

Further Information

General information, including member factsheets, is available on the Department of Education website at <https://www.education-ni.gov.uk/topics/teaching-staff/pension-scheme>

Contact Information

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