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Ill health retirement form guide



**Contents**

[1. Introduction 3](#_Toc184889499)

* + [Which employees should I fill in an ill health retirement form for? 3](#_Toc184889500)
  + [When should I give you the ill health retirement form? 3](#_Toc184889501)

[2. How to fill in and submit the ill health retirement notification form 3](#_Toc184889502)

[3. Guidance notes 3](#_Toc184889503)

* + [Section 1 – Employer details 3](#_Toc184889504)
  + [Section 2 - Employee’s personal details 3](#_Toc184889505)
  + [Section 3 – Employee’s leaving details 3](#_Toc184889506)
  + [Section 4 – Employee’s contractual details 3](#_Toc184889507)

[Contractual working hours and weeks 3](#_Toc184889508)

[Pension contributions 4](#_Toc184889509)

[Contractual pay 4](#_Toc184889510)

[Additional pensionable payments 4](#_Toc184889511)

[Purchase of annual leave 4](#_Toc184889512)

[Additional pension contributions (APCs) details 4](#_Toc184889513)

[Additional voluntary contributions (AVCs) 4](#_Toc184889514)

* + [Section 5 – 2014 Care Scheme 4](#_Toc184889515)

[CARE pay (2014 definition) 4](#_Toc184889516)

[Assumed pensionable pay for ill health enhancements 5](#_Toc184889517)

* + [Section 6 – Final salary scheme 5](#_Toc184889518)

[Final pay (2008 definition) 5](#_Toc184889519)

[Other periods of final pay 5](#_Toc184889520)

[Final pay – things to watch out for 6](#_Toc184889521)

* + [Section 7 – Employer’s declaration 6](#_Toc184889522)

[4. Glossary of terms used 6](#_Toc184889523)

* + [50/50 Section 6](#_Toc184889524)
  + [Additional pension contributions (APCs) 6](#_Toc184889525)
  + [Additional regular contributions (ARCs) 6](#_Toc184889526)
  + [Additional voluntary contributions (AVCs) 6](#_Toc184889527)
  + [Assumed pensionable pay (APP) 7](#_Toc184889528)
  + [Assumed pensionable pay (APP) - Tier 1 and 2 ill-health retirement 7](#_Toc184889529)
  + [CARE pay (Career Average Revalued Earnings) - 2014 definition of pensionable Pay 7](#_Toc184889530)

[Definition of pensionable pay (2014) 7](#_Toc184889531)

[Exclusions from pensionable pay 2014 8](#_Toc184889532)

* + [CPI 8](#_Toc184889533)
  + [Final pay (Final Salary Scheme) - 2008 definition of pensionable pay 8](#_Toc184889534)
  + [Reduction in pensionable pay 9](#_Toc184889535)

# Introduction

Please read these notes before completing the ill health retirement form. If you’ve any queries, please email [penemployers@westnorthants.gov.uk](mailto:penemployers@westnorthants.gov.uk)

## Which employees should I fill in an ill health retirement form for?

You must fill in an ill health retirement form when your employee leaves the LGPS and is granted:

* Ill-health retirement, for either
* tier 1
* tier 2
* tier 3.

## When should I give you the ill health retirement form?

* **At least two weeks** before their last day if your employee:
  + is on **regular pay** which is guaranteed not to change until they retire.
* **As soon as possible** after you’ve worked out their final pay if your employee:
  + gets pay and/or allowances which **aren't regular** and consistent.

This will help us to work out their pension and pay them as soon as possible after they retire.

# How to fill in and submit the ill health retirement notification form

You should fill in the ill health retirement form from the relevant website below:

<https://pensions.cambridgeshire.gov.uk/>

<https://pensions.westnorthants.gov.uk/>

Please complete this form in Word and submit alongside a:

* completed IHCERTA1 Ill health medical certificate, and
* copy of the final pay calculator.

We won’t be able to pay your employee’s pension until we’ve had a completed medical certificate.

You can return these documents either by:

* **uploading** them onto the member’s record on i-Connect. Please see the [Employer i-Connect guide](https://content.govdelivery.com/attachments/UKCAMBSCC/2022/10/21/file_attachments/2304986/i-Connect%20-%20Employer%20Guide%20%20-%20v1.pdf) if you need help or
* **scanning** and **emailing** them securely to [pensions@westnorthants.gov.uk](mailto:pensions@westnorthants.gov.uk)

# Guidance notes

## Section 1 – Employer details

You must always complete this section.

## Section 2 - Employee’s personal details

You must answer all the questions in this section.

## Section 3 – Employee’s leaving details

You must always complete this section.

## Section 4 – Employee’s contractual details

You must always complete this section.

### Contractual working hours and weeks

The definition of full time is set by your employment policies. Most employers will have hours and weeks that they count as a full-time job which applies to all staff. Typically, this is between 35 and 42 hours per week throughout the year. Some employers may have more than one definition of full-time depending on the type of job the person does. You should state that the person is full-time if the hours they work reflect your definition of full time for that grade of staff.

The contractual days/weeks paid per yearwill include their annual leave entitlement and bank holidays. For part time/term time, please also quote the full-time equivalent hours/weeks per year. This will be the full time equivalent for the role (e.g. 37/52.1429, 32.5/52.1429 etc).

**Breaks in pensionable membership**

Please give us details of any breaks in membership. A break in membership can be for either of the following:

* additional unpaid maternity, paternity, or adoption leave
* strike
* absence with permission (except for sickness or injury).

### Pension contributions

Please give us:

* details of the pension contributions paid for the financial year to the date they left and
* the previous financial year.

### **Contractual pay**

Please give us the basic full-time equivalent (FTE) pensionable pay rates for the last 3 financial years. The basic FTE pensionable pay will be:

* the salary the member would be earning if they worked full time hours/weeks per year, but
* don’t include any additional pensionable payments. For example:
  + contractual overtime
  + honorariums
  + bonuses etc

as this will be confirmed in the next section.

### **Additional pensionable payments**

Please give us details of any additional payments that contributions were taken from, like:

* contractual overtime
* non-contractual overtime
* allowances (such as honorariums), or
* any one-off bonuses.

### **Purchase of annual leave**

If the member bought additional annual leave in the last 3 financial years, please give us the details. This can affect the final pay calculation for benefits built up before 01/04/2014 depending on how the holiday purchase was taken from their pay.

### Additional pension contributions (APCs) details

Please show whether the employee has had APCs taken from their pay in the last 2 years.

### Additional voluntary contributions (AVCs)

Please show whether the employee has had AVCs taken from their pay in the last 2 years. If they have, give details of the AVC provider and the amounts taken.

## Section 5 – 2014 Care Scheme

You must always complete this section.

### CARE pay (2014 definition)

Please tell us:

* whether they were in the main or 50/50 section of the LGPS when they left and
* the date they joined that section and
* the final year’s cumulative pensionable pay from 1 April to the date they left.

CARE pay is pensionable pay under the definition applied from 1 April 2014. It’s usually the member’s actual pay and includes any additional pensionable payments like:

* contractual overtime
* non-contractual overtime
* honorariums
* bonuses.

If the employee was on reduced or no pay and assumed pensionable pay (APP) applied, you should include this in the figure(s) you give us.

You can find the definitions of CARE pay and APP in the [glossary section](#_Glossary_of_terms) of these notes.

### Assumed pensionable pay for ill health enhancements

If the member was granted tier one or two ill health retirement, they’ll get an enhancement to their pension. This is based on the projected membership to their normal retirement date:

* tier one – 100% enhancement
* tier two – 25% enhancement.

You can find the definitions of APP in the [glossary section](#_Assumed_pensionable_pay_1) of these notes.

#### Period of sickness absence

Please give us the details of the last 3 periods of sickness absence.

## Section 6 – Final salary scheme

You only need to complete this section if the member has pension built up before 1 April 2014.

### Final pay (2008 definition)

Pension built up before 1 April 2014 is based on the 2008 scheme definition of final pay (without non-contractual overtime). Please give us the details of the final pay for:

* the calendar year ending on the date they left and
* a previous year, if higher.

Your employee may also have pre-April 2014 benefits from another employer. Please give details of final pay for the calendar year ending on the date they left. You can find more information on the LGPS 2008 definition of pensionable pay in the [glossary](#_Final_Pay_(Final).

Final pay is usually the pay on which you took pension contributions in the last 365 days of their job.

### Other periods of final pay

#### For everyone

* If their pay in one of the 2 years before is higher, you should use that year for their final pay.

#### For members before 1 April 2008

* If they had
* an enforced reduction or restriction in pensionable pay and
* the date they left is within 10 years of the date of a certificate of protection they have

you must consider the effect of the certificate when assessing the period over which you work the final pay out.

#### For members after 31 March 2008

If they had a reduction or restriction in their full time equivalent pensionable pay, either voluntarily or otherwise, they could choose to use the protection under the LGPS regulations. This allows you to work out the final pay as an average over an alternative period. For example, a consecutive 3-year period within 13 years of leaving, ending on 31 March. If they choose this option, you must work out final pay based on this period.

You can find more information on how to work out final pay on the employer pages of our website:

<https://pensions.westnorthants.gov.uk/>

<https://pensions.cambridgeshire.gov.uk/>

### Final pay – things to watch out for

* Part time or term time workers. You need to scale up the actual pay to a full-time equivalent role.
* Reduced or suspended pay because of sickness. You need to do the calculations on the pensionable pay you would have paid them if they hadn’t been sick.
* Maternity leave, paternity leave, or adoption leave. Where you’ve taken contributions within the potential final pay period. You need to do the calculations on the pensionable pay you would have paid them if they hadn’t been on:
  + maternity
  + paternity or
  + adoption leave.
* Suspended pay. For example:
  + industrial action
  + unpaid maternity leave
  + authorised unpaid leave beyond 30 days

during the 365 days before the date for the estimate of benefits. If the member chooses not to pay pension contributions for this period, you need to work out the FTE pensionable pay based on the months and days where you took pension contributions in the last 365 days. You then need to scale it up to a full year.

* Member hasn’t worked for a full year. You need to scale up the actual full-time equivalent pensionable pay (FTEPP) as if they had worked a full year. For example, you multiply their FTEPP by 365 / the number of days of their pensionable employment.
* Where employment is due to end after the date to which they’ve paid pension contributions. For example:
  + unpaid maternity leave
  + other authorised leave
  + the member won’t be paying back the contributions for this period.

The final pay for the final year of employment should be the actual full time equivalent pensionable pay (FTEPP) scaled up to a full year. For example, you multiply their FTEPP by 365 / the number of calendar days membership in their final year of employment.

* Payment in lieu of holidays and in lieu of notice. Youshould **not** include these when calculating final pay.

## Section 7 – Employer’s declaration

The declaration must be filled in by someone who’s authorised to complete the form on behalf of the employer.

# Glossary of terms used

## 50/50 Section

LGPS members are in the main section by default. They may choose to join the 50/50 section. In this section, they pay contributions at half their normal rate and build up pension at half the rate.

## Additional pension contributions (APCs)

A contract where a member can pay back lost or buy more LGPS pension.

## Additional regular contributions (ARCs)

ARCs were introduced to the LGPS on 1 April 2008. They were replaced from 1 April 2014 with Additional Pension Contributions (APC) - see above. If the member had an existing ARC contract in place before 1 April 2014, this will have continued from April 2014 on the terms of the original contract.

## Additional voluntary contributions (AVCs)

Additional voluntary contributions are extra contributions to increase a member’s income at retirement. An AVC is a contract set up with an external company chosen by us as an in-house AVC provider.

## Assumed pensionable pay (APP)

Assumed Pensionable Payis the assessment of pay(worked out by the employer) which the employee would have had if they hadn’t been away from work and moved to reduced contractual payor no paybecause of:

* sickness or injury
* child related leave, for example:
  + maternity
  + paternity
  + adoption
  + paid shared parental
  + paid additional maternity
  + adoption leave
* being on reserve forces service leave (if the employee, although allowed to be in the Armed Forces Pension Scheme, has chosen to stay in the LGPS).

APP is used to tell us what pensionable pay the employee would have built up had they been on their regular pay. During periods of APP the employee pays pension contributions based on their actual received pay. You must pay their contributions based on the APP amount.

A member’s pension continues to build up as if they were at work getting their normal pay. The pay figure used to represent the member’s normal pay is assumed pensionable pay (APP). In the circumstances listed above, the amount added to the cumulative pensionable pay (CPP) should be the APP and not any pensionable pay (PP). The exception is if the PP they had for any day in that period is greater than the APP. For example, pay from:

* keep in touch (KIT) day(s)
* shared parental leave in touch (SPLIT) day(s) or
* Stringer day(s) (paid annual leave whilst off sick)

in which case, you need to add PP to CPP for that day and APP for the other days.

The APP figure worked out before the KIT, SPLIT or Stringer day(s) is not recalculated following the KIT, SPLIT or Stringer day(s). The same APP figure continues to apply during the rest of the relevant child related leave.

You can find more information on APP, in Section 4.2 of the [Payroll Guide](https://www.lgpsregs.org/employer-resources/guidesetc.php) to the LGPS 2014.

## Assumed pensionable pay (APP) - Tier 1 and 2 ill-health retirement

Where an employer ends an active member’s employment because of permanent ill-health with a tier 1 or tier 2 ill-health pension, you must work out an APP figure using the last three full months’ pay. This should include any APP already credited and applied in those months. Even if the employee hadn’t been on APP, you still need to work out the APP figure for the extra amount that needs to be added to the pension because of ill health.

You can find more information on APP, in Section 4.2 of the [Payroll Guide](https://www.lgpsregs.org/employer-resources/guidesetc.php) to the LGPS 2014.

## CARE pay (Career Average Revalued Earnings) - 2014 definition of pensionable Pay

CARE pay is the actual pay on which you take pension contributions over the scheme year (1 April to 31 March). It’s based on the definition of pensionable pay since 1 April 2014. You can find more information in the LGA’s HR Guide on the [LGPS Regulations and Guidance website](https://lgpsregs.org/resources/guidesetc.php). Here’s a summary of what’s included (and excluded) from pensionable pay (2014):

### Definition of pensionable pay (2014)

20. -(1) Subject to regulation 21 (assumed pensionable pay), an employee's pensionable pay is the total of-

(a) all the salary, wages, fees, and other payments paid to the employee, and

(b) any benefit in the employee's contract that’s classed as a pensionable emolument.

This includes the following:

* normal salary or wages
* bonuses
* maternity, paternity, adoption, and shared parental pay
* shift allowance
* overtime (both contractual and non-contractual)
* additional hours payments for part time workers
* any other taxable benefit specified in the contract as being pensionable.

Other pay not listed above may be classed as pensionable pay if it meets the definition above.

### Exclusions from pensionable pay 2014

The exclusions from pensionable pay 2014 includes:

* Any payment which has not had income tax taken.
* Any travelling, subsistence or other expenses incurred in their job.
* Any payment for loss of holidays.
* Any payment in lieu of notice to end their contract of employment.
* Any payment as an inducement not to end their job.
* Any amount paid to buy or lease a motor vehicle. Unless the employee has this item as pensionable under the 1986 Regulations before 31 December 1992.
* Any payment for loss of future pensionable payments or benefits.
* Any compensation (excluding arrears of pay) for achieving equal pay.
* Any payment made to a member on reserve forces service leave.
* Returning or acting returning officer fees other than fees paid for:
  + local government elections
  + parliamentary elections or
  + European parliamentary elections.

## CPI

Consumer Price Index. The current measure of inflation that the government uses to make sure LGPS related factors keep pace with increases in the cost of living.

## Final pay (Final Salary Scheme) - 2008 definition of pensionable pay

It’s the pay on which you take your employees’ contributions. For pension purposes an employee’s pay is all the:

* salary
* wages
* fees and
* other payments

made to an active member for their job. It may also include any other payment or benefit in their contract of employment that’s classed as a pensionable emolument.

The pay can’t include:

* Payments for **non-contractual overtime**.
* Any travelling, subsistence or other allowance paid for **expenses** they’ve had at work.
* Any payment for **loss of holidays**.
* Any payment in **lieu of notice** to end their contract of employment.
* Any payment as an **inducement** not to end their employment before you make the payment.
* Any amount paid to **buy or lease a motor vehicle.** Unless the employee has this item as pensionable under the 1986 Regulations before 31 December 1992.
* **School achievement awards**.

The member’s final pay is the best of the following options:

* The **average** of the full-time equivalent salary in the **365 days before they left**.
* The **best year of the last three**. If the member’s pay had been higher in either of the two years before the final year, the average of the best year may be used. The dates must be consistent with the final year. Eg, If the member’s final year was 1 August 2020 to 31 July 2021, the best of the previous two years could be either:
  + 1 August 2018 to 31 July 2019; or
  + 1 August 2019 to 31 July 2020.
* If the member has a **reduction in pensionable pay protection**, the **average** of the **best three consecutive** years in the **final 13**.

## Reduction in pensionable pay

From 1 April 2008, if a member has a reduction or restriction to their pensionable pay, a form of pension protection may be possible.

The restriction in pay mustbe because of one of the following reasons:

* member chooses a job with the same employer at a **lower grade** or with **less responsibility**.
* to achieve **equal pay** with other employees with that employer
* because of a **job evaluation** exercise or
* because a **change in the members contract** of employment results in a:
  + restriction of or
  + end of or
  + reduction in

payments or benefits that are pensionable emoluments or

* because the rate at which you may increase the members pay is restricted and it’s likely their pension will be adversely affected.

The reduction must **not** be following a temporary increase to pensionable pay or after taking ‘flexible retirement’.

Once you’ve approved the application, we’ll work out the pension built up before 1 April 2014. We’ll look back at the last 13 years of pay (to the date they left) and use the best average of any three consecutive years, ending on 31 March.